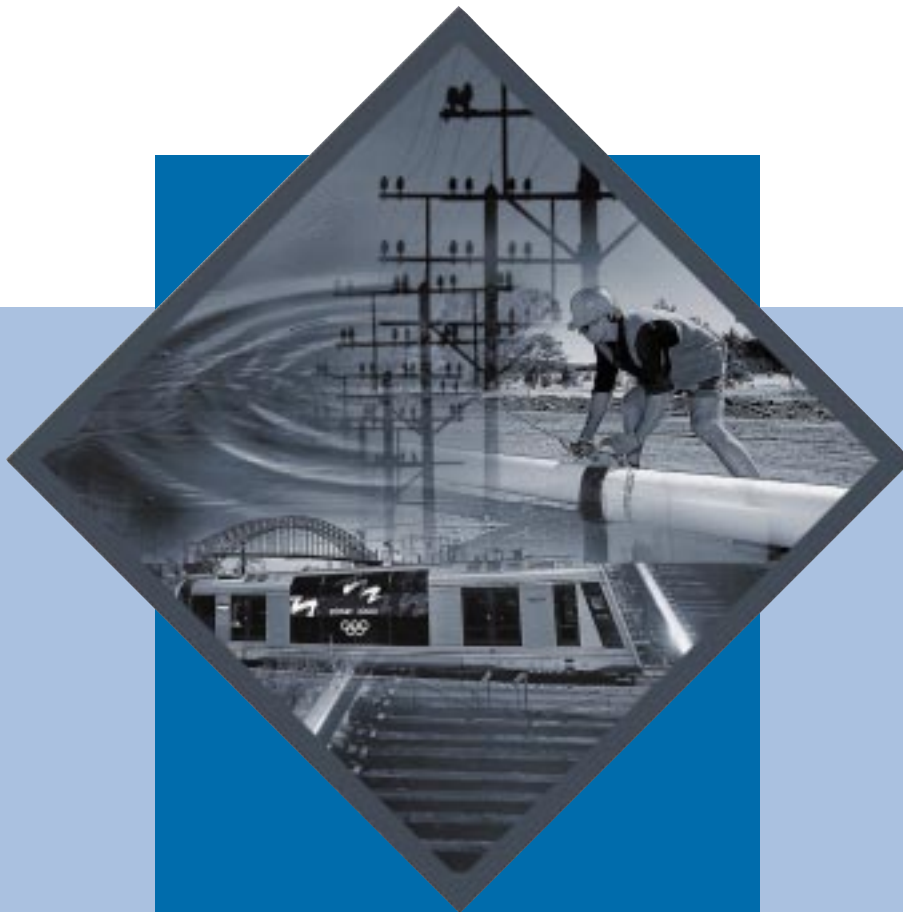





IPART

Annual Report 1998/1999



INDEPENDENT PRICING AND
REGULATORY TRIBUNAL OF
NEW SOUTH WALES





INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

29 October 1999

The Hon Bob Carr MP
Premier of NSW
Governor Macquarie Tower,
1 Farrer Place
SYDNEY NSW 2000

Dear Premier,

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
ANNUAL REPORT 1998/99

As required by the Annual Reports (Statutory Bodies Act 1984), we have pleasure in submitting the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 1999.

Yours sincerely,

Thomas G Parry
Chairman

James Cox
Member

Liza Carver
Member



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

ANNUAL REPORT FOR 1998/99

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What we do

The main role of the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) is to:

- Set maximum prices and review pricing of NSW government monopoly services – especially electricity, water and public transport.
- Regulate natural gas pricing and third party access to gas distribution networks.
- Undertake general reviews of industry, pricing or competition.
- Register agreements for access to public infrastructure assets and arbitrate disputes about such agreements.

Main Achievements in 1998/99

During the year the Tribunal:

- Completed a major review of pricing for electricity networks and retail supply.
- Released a final access arrangement for Great Southern Networks gas distribution network.
- Investigated access arrangements for Albury Gas Company and AGL Gas Networks.
- Completed a review of gaming in NSW.
- Undertook a review of NSW Health for the Treasurer and the Minister for Health.
- Commenced a review of the Taxi Cabs and Hire Car Industries.
- Released two reports on aspects of development control fees.
- Released reports on aspects of rail access and on rail safety.
- Provided assistance to the Australian Capital Territory with a Medium Term Price Path for ACTEW.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

Our Corporate Plan

Mission

To provide an acceptable balance between competing claims within the NSW community and to promote an increasingly competitive environment through price regulation, industry reviews and ensuring access to infrastructure facilities.

Our Vision

To be highly respected by our key stakeholders for our independence, professionalism and competence.

Our Corporate Objectives

Our primary objectives are to:

- achieve the best feasible pricing outcomes that balance the competing claims within the community
- provide high quality advice to government on industry issues
- achieve effective access to key public utility infrastructure services.

Our supporting corporate objectives are to:

- consult widely with our stakeholders
- achieve excellence in both organisation and staff performance.

Our Corporate Values

- Independence
- Fairness
- Consistency
- Excellence
- Continuous improvement
- Teamwork
- Responsiveness.



Achievement of our Corporate Objectives

During 1998/99, the Tribunal met its corporate objectives as follows:

Achievement of Primary Corporate Objectives

Made the following pricing determinations which balanced competing claims within the community:

- public transport fares
- streetlighting charges
- annual pricing of water and sewerage services for Gosford and Wyong Councils.

Provided advice to the Government on the following industry issues:

- pricing for electricity networks and retail supply
- aspects of the NSW Rail Access Regime
- rail safety accreditation costs
- various aspects of fees for development control services.

Achieved effective access to public utility infrastructure services by:

- releasing a final access arrangement for Great Southern Networks gas distribution network
- giving initial consideration to proposed access arrangements for gas distribution networks operated by the Albury Gas Company and AGL Gas Networks.

Achievement of Secondary Corporate Objectives

Consulted widely with our stakeholders by:

- preparing issues papers and consulting on terms of reference for inquiries held under the IPART Act
- requesting submissions for inquiries
- holding public hearings
- establishing formal consultations with stakeholders in electricity, gas and for developer charges in water
- consulting widely with interested parties as part of the Tribunal's inquiries
- publishing reports which give reasons for decisions
- making information about the Tribunal and its investigations readily available to the public, including through the Internet.

Achieved excellence in both organisation and staff performance by:

- encouraging an open work environment which recognises and rewards performance of staff members
- maintaining a staff development system which emphasises the identification of opportunities for staff to develop new skills
- new award approved for IPART staff containing improved working conditions and salaries.

Chairman's Report



Thomas Parry
Chairman

The Tribunal and its Secretariat have had another full year, with on-going work in our 'core regulatory' areas of electricity, water, gas and transport, as well as a number of special one-off investigations.

Notable in our core business under the IPART Act was the special Section 12A Report to the Premier on the state's electricity industry. This Report has laid a blueprint for regulation of electricity distribution wires for the next five years. The Tribunal expects to hand down its formal Determination for wires' revenues and prices by the end of 1999. A number of critical policy issues will need to be decided by

Government – notably the form of regulatory oversight for residential electricity customers once 'contestability' formally starts at the end of 2000. The Tribunal will continue to argue for a better process for determining service standards as well as appropriate regulatory protection for 'no-choice' customers in the early days of 'competition'.

The Tribunal's involvement in gas access regulation is now carried out under the National Gas Code. During the past year, the Tribunal issued its own Access Arrangement with respect to the natural gas distribution business operated by Great Southern Networks (GSN) in Wagga Wagga. This was as a result of GSN failing to comply with the Tribunal's requirements for approval of its Access Arrangement.

There have been several lessons learned from the GSN experience. Most significant are the lengthy and cumbersome requirements imposed by the National Gas Code. The Tribunal is seeking Code Changes that should help minimise some of the inappropriate delays currently associated with access approvals under the Gas Code.

The Tribunal released its draft decision on the Albury Gas Company's access arrangements and commenced its review of AGL's revised Access Arrangements during the year. We expect to issue our Draft Decision on AGL's proposals by the end of October 1999.

The year also saw an increase in the number of significant 'one-off' investigations undertaken by the Tribunal (either under Section 12A or Section 9 of the IPART Act). These included: the commencement of a review of the state's Taxi and Hire Car Industries; a review of aspects of the NSW Rail Access Regime and Rail Safety Accreditation Costs; the release of interim reports from the Review of Fees for Development Control Services by Local Government; a major report into the State's Gaming Industry and a major review of NSW Health. IPART again assisted the ACT Regulator (IPARC) in setting regulated charges by ACTEW Corporation.

Details about all these inquiries and investigations can be found in this Annual Report. Our website (www.ipart.nsw.gov.au) provides an up-to-date source for terms-of-reference; submissions; hearings' transcripts and, of course, reports.



In my Report last year, I noted the increasing complexity of State regulation of major utility infrastructure within a diverse set of national and industry regulation. The challenges facing the State-based regulator have not diminished. Our experience suggests that the very different approaches and details of the regulatory frameworks for electricity, gas, water and transport add unnecessarily to the difficulties of regulation. **This is not a problem of state versus national regulation.** Rather, it reflects the development of different regulatory models at different times by different bodies and the failure of policy-makers to deal with different industries on a more consistent basis.

In addition to the obvious problems arising from the different and often flawed regulatory instruments with which we are required to operate, the absence of a more complete regulatory model encompassing economic and non-economic regulation continues to deliver second-best outcomes. The contrast between NSW and Victoria in the regulatory models in water and electricity, for example, is striking. Victoria (which has adopted a UK-style approach) has clear and separate policy and regulatory responsibilities for setting standards, determining social and environmental obligations and monitoring and enforcing compliance with these license and regulatory obligations. NSW has a long way to go in framing a more coherent regulatory model that identifies and delivers clearer outcomes that are increasingly demanded by the community.

Since we began in 1992 as the Government Pricing Tribunal, every year has proven busier than the past year. The next year will prove no exception. We have been fortunate to receive an increase in our budget, but experience suggests that demands for our assistance will continue to increase at a fast pace. The Tribunal will need to explore with Government better means of funding our different activities; some form of 'user-pays' may make sense.

As ever, the work of the Tribunal depends on the support of our key stakeholders. As the different interests of our stakeholders continue to evolve and diverge, it is not surprising to see more 'conflict' and signs of 'unhappiness' with some of our Determinations. This is inevitable and a good sign of independent regulation as it matures.

Independent regulation does not mean that the regulator is oblivious to the different interests of stakeholders. Rather, it involves an independent and, indeed, dispassionate weighing-up and assessment of the different interests of stakeholders by the decision-makers **within the relevant legislative and code framework.** IPART values its independence in this sense.

The past year again has seen enormous pressures on our staff, though we have added some staff and consulting resources. The Tribunal is only as effective as its Secretariat, and in that respect I believe we continue to be very well served!

Thomas G Parry
Chairman

The Tribunal

The Tribunal consists of three permanent members plus temporary members who are appointed by the Premier.

Permanent Members



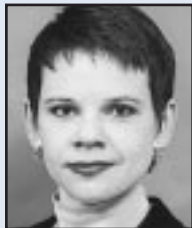
Chairman:

Professor Thomas Parry, BEc (Hons), MEd., PhD.
Appointed for 5 years from 7 June 1995. Adjunct Professor of Economics, University of NSW. Former Dean of Commerce, University of Wollongong.



Full-time member:

Mr James Cox, BSc (Econ) (Hons), MA (Econ)
Appointed for 5 years from 22 February 1996. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.



Part-time member:

Ms Liza Carver, BEc, LLB, LLM
Appointed 1 July 1997 to 30 June 2000. Currently a lawyer with Gilbert and Tobin, former Associate Member of the Australian Competition and Consumer Commission (ACCC), Executive Member and Treasurer of the Consumers' Federation of Australia and a member of the NSW Premier's Council for Women.

Temporary Members

Ms Cristina Cifuentes, BEc, LLB(Hons)

Appointed 9 September 1996 to 8 September 2000 to assist with gas regulation issues. Currently Investment Strategist/Group Economist with BNP Investment Management and a member of the Premier's Council for Women. Previously Senior Economist with NSW Treasury and with Rothschild Australia, and Head of Legal Policy, Australian Securities Commission.

Professor Warren Musgrave, MSc Agr, PhD

Appointed 22 February 1996 to 31 December 1999 to assist with the reviews of the pricing policies of local water authorities and the review of rural bulk water pricing. Emeritus Professor of Agricultural Economics at the University of New England, and Catchment Assessment Commissioner, 1995. Currently Special Adviser to the Premier's Department.

Mr John Ward, BSc.

Appointed 15 September 1998 to 31 December 1999 to assist in the review of Taxi Cabs and Hire Cars. Former Managing Director of Qantas and currently an executive with News Ltd.



The changing role of the Independent Pricing and Regulatory Tribunal

The Tribunal was established in July 1992 as the Government Pricing Tribunal. Following substantial amendments to the Government Pricing Tribunal Act, in January 1996 the Tribunal was renamed the Independent Pricing and Regulatory Tribunal (IPART). There have been three main phases in the Tribunal's development.

The initial role of the Government Pricing Tribunal was as the pricing regulator for government monopoly services. In that role the Tribunal determined prices and carried out pricing reviews of state-owned services, mainly urban water, electricity and public transport for which the Tribunal had a standing reference.

The role was expanded in 1996 following substantial amendments to the GPT Act and the enactment of the Gas Supply Act. The Tribunal's name was changed to the Independent Pricing and Regulatory Tribunal and the Tribunal's role was expanded to cover:

- price and third party access regulation of natural gas networks
- reviews of pricing, industry or competition (not restricted to government monopoly services) – Section 12 A reviews
- registration of certain third party access agreements and arbitration of disputes during negotiation of access agreements
- provision of assistance to other agencies (including agencies in other states) in fields within the scope of the Tribunal's expertise and functions – Section 9 investigations.

The third and current phase of the Tribunal's role occurred during 1998/99 with continuing increased workloads combined with transition to national regulatory arrangements under national competition policy. Over the next two years the Tribunal's regulatory functions for electricity and gas will move progressively to regulation under the jurisdiction of national rules and codes.

Under national electricity laws passed in 1998, the Tribunal will continue to be the jurisdictional regulator for monopoly NSW electricity distribution services while regulating distribution under the national electricity code. From 1 July 1999, the Australian Competition and Consumer Commission (ACCC) will regulate TransGrid's transmission charges.

In NSW the electricity retail market is being deregulated in stages. Under the current timetable,

deregulation of domestic customers will commence by 1 January 2001 and proceed according to a transitional timetable to expire by 31 March 2002. IPART will have no powers to regulate retail electricity prices after 2001.

National laws were passed in 1998 providing for the regulation of NSW gas access to occur under the National Gas Code. Tariff regulation will continue under the Gas Supply Act. Under the national laws and codes, regulation is substantially more detailed. This is due to more specific and comprehensive code requirements. For example:

- extensive and detailed analysis of the rate of return and operating costs for regulated assets is required under national gas and electricity codes
- extensive and detailed analysis of asset valuation and capital expenditures is required under the national codes in gas and electricity
- greater and more intensive investigatory requirements into gas and electricity supply, including analysis of complex technical issues requiring extensive consulting input
- new and extensive accounting separation and ringfencing requirements and associated monitoring and compliance functions arising from the national gas and electricity codes
- more rigorous legal involvement is required to ensure the requirements of the codes are met.

The Tribunal's workload has increased through special inquiries. In 1998 the Tribunal conducted reviews of the gaming industry, fisheries, centralised monitoring for gaming devices, local government benchmarking, and health services.

The Tribunal also has an expanding arbitration role. Recent changes to the Motor Accidents Amendment Act provide for IPART to be appointed as the arbitrator where there is a dispute between the Motor Accidents Authority and a licensed insurer over proposed insurance premiums. The Tribunal has also taken on a role in investigating and reporting on competitive neutrality complaints.

To undertake all its work effectively and efficiently, during the coming year, the Tribunal budget for 1999/2000 has been increased to cover a staff of approximately 38 and a budget of \$5.2 million, and consultancy assistance of around \$1.1 million per annum.



Meeting Our Primary Objectives

Introduction

The Tribunal's Primary Objectives are to:

- achieve the best feasible pricing outcomes that balance the competing claims within the community
- provide high quality advice to government on industry issues
- achieve effective access to key public utility infrastructure services.

The Tribunal meets these primary objectives by undertaking a comprehensive program of pricing and gas tariff determinations; pricing policy and industry reviews; approving access arrangements and arbitrating access disputes. It also provides assistance on pricing matters to NSW agencies and to other State governments.

The Tribunal's performance during the reporting year in meeting these objectives is covered by an overall review of the following programs. The coverage includes any reports released up to September 1999 where the Tribunal's investigations started in the reporting year.

Water

- pricing urban water
- bulk water pricing
- developer charges for urban water authorities
- monitoring compliance.

Industry Reviews

- reviewing fees for development control services
- reviewing rail access and rail safety issues
- reviewing the taxi cabs and hire car industry.

Gas

- regulation of third party access to natural gas pipelines
- price regulation of tariff customers
- monitoring compliance.

Third party Access

- registration of access agreements
- arbitrating disputes over access agreements.

Electricity

- reviewing medium term price paths for electricity prices
- monitoring compliance.

Assistance under Section 9 of the IPART Act

- assisting NSW agencies
- assisting other states.

Transport

- setting annual fares for CityRail and STA
- monitoring compliance, service standards and efficiency.

Having regard to the differing coverage of regulatory activities each program area contains a summary of the main means of regulation in that area.

Water



Regulation of water pricing

Regulation of urban water pricing is carried out under the Independent Pricing and Regulatory Tribunal Act 1992. Under Section 11 of the IPART Act the Tribunal has full responsibility for all pricing regulation. All of the urban water authorities within the metropolitan area – Sydney Water Corporation (Sydney Water), Hunter Water Corporation (Hunter Water), Gosford City Council (Gosford Council) and Wyong Shire Council (Wyong Council) – are Standing Reference Agencies in Schedule 1 of the Act.

Regulation of bulk water pricing is carried out under a reference from the Premier under Section 12 of the Act.

Pricing Urban Water

In June 1996, the Tribunal determined maximum prices for water, sewerage and drainage services charged by Sydney Water, Hunter Water, Gosford Council and Wyong Council. The price paths for Sydney Water and Hunter Water were for four years to 1999/2000 while price paths for Gosford Council and Wyong Council were for three years only, and expired on 30 June 1999.

So that medium term price paths of all water agencies would be reviewed at the same time, in May 1999, the Tribunal released annual determinations for 1999/2000 for Gosford Council and Wyong Council.

During 1999/2000 the Tribunal will conduct a review of medium term price paths for the maximum charges to apply from 1 July 2000 for each of the four metropolitan water supply authorities. The maximum charges determined by Tribunal will cover a four or five year period.

During 1998 the government created the Sydney Catchment Authority (the Catchment Authority) which has taken over certain functions of Sydney Water related to bulk water supply and, in addition, has a broader catchment management role.

Following a Section 12(1)(a) referral in August 1999, the Tribunal will review the pricing of the Catchment Authority's bulk water supply to Sydney

Water. This review will be done in conjunction with the review of the price paths for the four metropolitan water suppliers.

Gosford and Wyong Councils

To align the medium term price path reviews of the four urban water agencies, in May 1999 the Tribunal made a one year determination for 1999/2000 for Gosford and Wyong Councils.

The main features of this determination for *Gosford Council* are:

- Gosford City Council's water base and usage charges and residential sewerage charge in 1999/2000 will be maintained at the nominal levels charged in 1998/99, representing a real reduction in these charges equal to the CPI increase of 1.6 per cent
- a revenue neutral adjustment will be made to the non-residential sewerage charges, increasing the usage charge to 70 cents per kilolitre (from 68 cents per kilolitre) and reducing the base charge in each service category accordingly
- the drainage levy will remain at its 1998/99 level of \$40 per assessment (\$20 for pensioners)
- all miscellaneous charges are to be adjusted to comply with the CPI-1.5% formula proposed in the 1996 determination, causing a moderate downward adjustment for most miscellaneous charges from the 1998/99 level
- the level of charges proposed by Gosford Council for a small number of additional miscellaneous charges in 1999/2000 has been accepted by the Tribunal.

The main features of this 1999/2000 determination for *Wyong Council* are:

- periodic water and sewerage charges and miscellaneous charges are to remain constant in nominal terms
- Wyong Shire Council's proposals for the addition of certain new or previously unregulated miscellaneous charges are included in the current listing
- Wyong City Council's proposal for phased removal of the 85 per cent cap on developer charges is rejected.

Meeting our Primary Objectives



Wyong Shire Council – Prices of Water Supply, Sewerage and Drainage Services from 1 July 1999 (May 1999)



Gosford City Council – Prices of Water Supply, Sewerage and Drainage Services from 1 July 1999 (May 1999)

Bulk Water Pricing

In July 1998 the Tribunal released a two-year price path for bulk water prices to apply for the two years from July 1998 to June 2000. This price path established:

- a target for full cost recovery by region, based on best available information
- a two year price path with maximum price increases of up to 20 per cent in any one year for the same water usage
- elimination of the difference between industrial and other water use prices
- for metered water, price structures based on fixed/variable cost relationships
- clear statements of any remaining cost gaps to achieve full cost recovery
- broad equivalence with prices in other states.

As the price path ends on June 2000, the Tribunal will be commencing a review of the price path during the latter part of 1999. That review will examine the extent to which the current price path met the objectives set in the determination and will determine prices to run from July 2000.

Developer Charges for Urban Water Authorities

Developer charges are up front charges paid by developers to water agencies to recover the infrastructure costs incurred in servicing new developments. Developer charges provide a source of funding to the water agency for the infrastructure required to connect the new development.

An important function of developer charges is to provide a price signal to the developer regarding the costs of urban development. Developer charges for new developments should signal the true relative costs of providing the required infrastructure and therefore encourage less costly forms of development and locations for development. Unlike periodic charges, developer charges are paid up front to recover costs immediately.

In 1995 and 1996, the Tribunal made determinations for the water agencies which set out a common methodology for calculating developer charges. The methodology is based on a net present value (NPV) approach which evaluates the costs and revenues of infrastructure projects.

The Tribunal also established the Water Forum of industry, stakeholder and customer representatives to make recommendations and provide advice to the Tribunal on developer charges issues. Over the period of implementation since the determinations, the Water Forum has made the Tribunal aware of emerging issues in the implementation of the methodology.

In late 1998 the Tribunal decided that an independent appraisal of the implementation of developer charges would be useful, especially as an input to the forthcoming review of medium term price paths for urban water agencies. A consultancy has been arranged to review a broad range of developer charges issues and the proposed developer charges methodology for local councils being developed by the Department of Land and Water Conservation. The results of that work will be published during the first half of 1999/2000.

Monitoring Compliance

To assist with monitoring compliance with medium term price paths, the Tribunal asks all urban water agencies to provide an information return annually. The senior management of each agency is required to certify that the information is correct.

Electricity



Regulation of electricity pricing

Since 1992 the Tribunal has regulated the pricing of monopoly electricity prices under Section 11 of the IPART Act 1992. Following the introduction of a National Electricity Market the future role of the Tribunal in the regulation of electricity pricing will be based on arrangements in national laws and the National Electricity Code.

A national electricity market, initially covering NSW, Victoria and South Australia commenced operations in December 1998. The operation of the market involves the introduction and extension of competitive arrangements into electricity generation and retailing. Those parts of the industry that are still monopoly businesses will continue to be regulated.

The operation and regulation of the National Market is controlled through national electricity legislation, and all participating States and the Commonwealth have passed complementary legislation to implement these national laws.

For NSW, the national legislation is implemented through the National Electricity (NSW) Act, 1997 (updated 1999) and the National Electricity Code. This will see the regulation of TransGrid's transmission services pass to the ACCC and the regulation of remaining electricity monopoly services be undertaken by IPART as jurisdictional regulator for NSW.

Derogations under the Code set the dates at which changes in regulatory arrangements will occur. The ACCC will take over regulation of transmission services from 1 July 1999 and IPART will become jurisdictional regulator under the Code for monopoly distribution services from 1 February 2000. Retail supply to non-contestable customers will continue to be regulated under the IPART Act.

Such dates, which can be changed by amendment of the derogations, will enable IPART to continue to regulate NSW distribution networks under the IPART Act, rather than Chapter 6 of the Code, until 31 January 2000.

Special Reference on Electricity

Four year price paths have been set by the Tribunal for monopoly electricity services which run to end of June 1999. These price paths cover transmission services by TransGrid and retail supply and distribution by NSW electricity distributors.

These price paths were determined under Section 11 of the IPART Act. Any future price path needs to have regard to the timetable for transfer of regulatory responsibilities to the National Electricity Code outlined above.

In view of these forthcoming regulatory changes the Premier asked the Tribunal to undertake a Special Reference on Electricity. The Tribunal was requested to make recommendations, with reference to both the Electricity Code and Section 15(1) of the IPART Act, for pricing of TransGrid transmission services and for network services and retail supply by the six NSW Electricity Distribution Network Service Providers (DNSPs).

This major review, which was completed in July 1999, involved a comprehensive investigation of the many factors which affect pricing under these scenarios. This work included extensive comparative benchmarking of the performance of NSW electricity businesses, analysis of the valuation of the regulatory asset base, and evaluation of pricing issues which will affect retail prices for franchise customers.

The Tribunal recommended real price reductions for electricity distribution charges averaging 16 per cent over five years, which will deliver benefits to the majority of businesses and customers in NSW.

In making its recommendations the Tribunal took into account the interests of taxpayers by ensuring that the businesses receive revenue streams that are sufficient to finance network functions, maintain the level of service the public expect and allow reasonable returns to be earned.

The Tribunal recommended that the initial capital base for regulatory purposes should be \$7.2 billion for the DNSPs and \$1.8 billion for TransGrid. A real pre-tax rate of return of 7.5 per cent was recommended for

Meeting our Primary Objectives


TransGrid, EnergyAustralia, Integral Energy, North Power and Great Southern Energy, and a rate of 7.75 per cent for Advance Energy and Australian Inland Energy. Both recommendations are consistent with a nominal post tax return on equity of approximately 11-12 per cent.


The regulatory framework recommended will encourage improvements in performance. The Tribunal proposed reductions in operating and maintenance expenditure during the price path (to be offset by productivity improvements and an allowance for growth). Over the period reductions in operating expenditure of 15 per cent were recommended for Integral Energy, NorthPower, Great Southern Energy, AdvanceEnergy and Australian Inland Energy; 10 per cent for EnergyAustralia and 7.5 per cent for TransGrid.


The Tribunal expressed serious concerns about the future protection of retail franchise customers who may not benefit from the introduction of competition from the end of 2000, at which time the Tribunal will not have the legislative powers to regulate retail prices. The Tribunal strongly recommended that the Government develop appropriate policy measures for customer protection under these circumstances. This included giving IPART powers to regulate prices and other terms and conditions for customers who are not able to participate in the competitive market for electricity services.


Following the release of the report the Tribunal has announced a formal investigation to determine future medium term price paths for electricity networks and franchise retail supply services under the National Electricity Code and the IPART Act.


 *Pricing for Electricity Networks and Retail Supply – Report of the Special Reference on Electricity (July 99)*


 *Regulation of retail prices for franchise customers – IPART Secretariat (March 1999)*


 *Regulation of Electricity Network Service Providers – Price Control Issues and Options – Discussion Paper (March 1999)*


 *Regulatory Mechanism to Encourage Effective Management of Network Losses – Intelligent Energy Systems (March 1999)*


 *Summary Report of 1998 Distribution Benchmarking – Research Paper – UMS Group (February 1999)*


 *Efficiency and benchmarking study of the NSW distribution businesses – Research Paper – London Economics (February 1999)*


 *Efficiency and benchmarking of NSW electricity distributors – Discussion Paper (February 1999)*


 *Report to the Independent Pricing and Regulatory Tribunal on Capital Expenditure Review in NSW Electricity Transmission – Supplementary Report on TransGrid – Final Report (January 1999)*


 *Report to the Independent Pricing and Regulatory Tribunal on Capital Expenditure Review in NSW Electricity Distribution – Final Report (January 1999)*

 *Regulation of Electricity Network Service Providers – Incentives and Principles for Regulation – Discussion Paper (January 1999)*

 *Rolling Forward the Regulatory Asset Bases of the Electricity and Gas Industries – Discussion Paper (January 1999)*

 *Contestability for Residential and Other Low Use Electricity Customers – prepared for IPART by SRC International Pty Ltd (December 1998)*

 *The Rate of Return for Electricity Distribution Networks – Discussion Paper (November 1998)*

 *NSW Transmission Network, Service Pricing and Revenue Regulation Reviews, Statement of Process – IPART and ACCC (November 1998)*

 *Pricing for Electricity Networks and Retail Supply – Issues Paper (September 1998)*

Monitoring Compliance

To assist with monitoring compliance with the medium term price paths, all electricity distributors are requested to provide a range of annual information for the wires and retail supply parts of their businesses. The senior management of each agency is required to certify that the information is correct.

Gas



Regulation of Third Party Access to Natural Gas Pipelines

At the start of 1998/99 the Tribunal regulated third party access to gas distribution pipelines pursuant to the Gas Supply Act 1996 and the NSW Third Party Access Code. Regulation of gas access by the Tribunal was transferred to national gas pipelines access laws in August 1998 following the passage of the Gas Pipelines Access (New South Wales) Act. Under those laws the Tribunal's regulation of third party access is now subject to the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code).

The owner or operator of a pipeline that is covered under the Code is required to lodge a proposed Access Arrangement with the Tribunal. The proposed Access Arrangement describes the terms and conditions under which third party access to natural gas networks will be provided. Although most customers may obtain access at the reference prices, the right to negotiate prices is an important component of the regime.

After conducting a public process the Tribunal determines whether to approve Access Arrangements and subsequent revisions.

Access regulation – Great Southern Networks (Wagga Wagga)

A proposed Access Arrangement was submitted by Great Southern Networks (GSN) in March 1998. Following consideration of submissions, a customer information session, a public hearing, economic and financial analysis and consultation with major stakeholders, the Tribunal released a draft decision in September 1998.

The proposal put forward terms and conditions for third party gas suppliers to gain access to its natural gas network in Wagga Wagga. That network serves about 14,000 domestic customers, 400 industrial and commercial customers (who consume 11 per cent of gas sold in the area) and 14 contract customers (who consume 55 per cent of gas).

Having regard to comments on the draft decision and a further public hearing, the Tribunal released its final decision in March 1999. That decision sees reductions in gas prices for industrial customers while domestic customers will experience only minor price rises over the next 4 year period of the arrangement. Key elements of this decision were:

- a rate of return of 7.75 per cent, pre tax real
- the determination of a capital base of \$28 million for regulatory purposes
- a real operating cost reduction of 1 per cent per annum
- forecast capital expenditure of \$7.8 million (1999 dollars) over the period 1999 to 2003.

The Tribunal's decision was made after considering the interests of all stakeholders, the interests of users and the broader public interest and the risks faced by GSN. In making the decision the Tribunal stressed that it was required to consider each regulated utility on a case by case basis and that the decisions for GSN would not necessarily apply to other utilities.

In response to the final decision, on 31 March 1999, GSN submitted a revised Access Arrangement and related information package that did not incorporate all of the amendments required by the Tribunal. The Tribunal was then required by the Code to draft and approve its own Access Arrangement.

On 14 April 1999, under the provisions of the Code, GSN applied to the Australian Competition Tribunal (ACT) for a review of the Tribunal's decision. At a directions hearing of the ACT on 20 May 1999, GSN, with approval of the ACT, withdrew its application.

Subsequently in August/September 1999 the Tribunal drafted and released its own Access Arrangement for GSN under s2.20 of the Code.



Access Arrangement Great Southern Energy Gas Networks Pty Limited – Draft Decision (September 1998)



Final Arrangement – Access Arrangement Great Southern Energy Gas Networks Pty Limited (March 1999)

Meeting our Primary Objectives



Draft Access Arrangement – Great Southern Energy Gas Networks Pty Limited (September 1999)



Approved Arrangement – Access Arrangement Great Southern Energy Gas Networks Pty Limited (September 1999)

Access regulation – Albury Gas Company

A proposed Access Arrangement and Access Arrangement Information for the gas network in Albury, Jindera and Moama were submitted to the Tribunal by Albury Gas Company (AGC) on 22 June 1998.

The proposal put forward terms and conditions for third party gas suppliers to gain access to its natural gas networks in Albury. The network serves 15,000 domestic and 700 industrial and commercial customers.

Following a public hearing, extensive analysis and consideration of public submissions, and a customer information session, the Tribunal released its draft decision in July 1999. Key elements of this draft decision are:

- the Tribunal concludes that reductions in average transportation prices of 18 per cent over the next 4 years will provide a good balance between the interests of consumers and AGC. This reduction is greater than the 9 per cent reduction proposed by AGC
- a \$10 decrease in the annual bill of an average residential customer in the first year, followed by smaller decreases each year until 2002. Business customers will also see reductions
- a rate of return of 7.75 per cent, pre tax real, consistent with other gas utilities
- a regulatory asset value of \$22m.

The Tribunal's draft decision was made after considering the interests of all stakeholders, the interests of users and the broader public interest and the risks faced by AGC. Similar to the GSN decision, the Tribunal stressed that it was required to consider each regulated utility on a case by case basis and that the decisions for AGC would not necessarily apply to other utilities.

Comments on the draft decision were sought by 30 July 1999 and a final decision is expected to be made during the last quarter of 1999.



Access Arrangement Albury Gas Company Limited – Draft Decision (July 1999)

Access regulation – AGL Gas Networks

AGL Gas Network's existing Access Undertaking was established in July 1997 under the former NSW regulatory regime. Savings and transitional provisions provide for the continuation of AGLGN's Access Undertaking following the commencement of the National Regime. The Undertaking was deemed to be an Access Arrangement under National Third Party Access Code for Natural Gas Pipeline Systems (the Code). Certain provisions of the interim NSW Code were retained to apply to the deemed Access Arrangement.

Subsequent Access will be subject to the Code. The one exception is that for the first revisions to the Access Arrangement, NSW transitional provisions dealing with the re-determination of the initial capital base and the imposition of transitional fees still apply.

AGLGN's Access Undertaking was scheduled to expire on 30 June 1999. The interim NSW Code envisaged that before this happened, a new Access Undertaking would be approved. This has not occurred. The delay raised the question of the status of the Access Undertaking and, in particular, reference tariffs between 1 July 1999 and the date when revisions to the Access Undertaking take effect.

Legal advice to the Tribunal has indicated that AGLGN's Access Undertaking would expire on 30 June 1999. Reference tariffs in the Access Undertaking were set for the period ending 30 June 1999. To resolve this situation, a regulation entitled *Gas Pipeline Access (New South Wales) (Savings and Transitional) Regulation 1999* was made. It continues the current AGLGN Access Undertaking (including prices, terms and conditions) beyond 30 June 1999 until the current access review is finalised.

The Regulation clarified that AGLGN's proposal to change the access conditions to its network, as submitted to the Tribunal on 5 January 1999, are to be considered as proposed revisions pursuant to section 2.28 of the Code.

Upon receipt of AGLGN's proposed revisions, the Tribunal assessed AGLGN's Access Arrangement Information (AAI) to determine whether it meets the requirements set out in sections 2.6 and 2.7 of the Code. Submissions regarding the adequacy of the



Meeting our Primary Objectives

information disclosure were also received and considered. As a result of this assessment, the Tribunal requested changes to the AAI to enable it to meet the minimum requirements of the Code. AGLGN made changes to the AAI, but the Tribunal considered further information disclosure was necessary to satisfy Code requirements. As a consequence, AGLGN issued a *Revised AAI* on 8 February 1999, a *Supplementary AAI* on 16 April 1999, and a document entitled, *Corrections to Revised AAI and Supplementary AAI* on 23 June 1999.

In conjunction with the above process, AGLGN's proposed revisions to its Access Arrangement and Access Arrangement Information were advertised for public comment on 11 January 1999. In response over 70 submissions were received from interested parties. The Tribunal gave these careful consideration. As part of the consultation process, a two day public hearing and a pricing forum were held in Sydney on 31 March–1 April 1999 and 16 June 1999 respectively.

The Tribunal anticipates that it will release a draft decision during the third quarter 1999.

Associated party contracts

Section 24 of the Gas Supply Act requires the Tribunal's approval for all agreements between a network and a related supplier. While regulation of these contracts passed to the jurisdiction of the National Gas Code from 14 August 1998, under transitional arrangements all applications for approval received before that time were subject to the NSW legislation.

During 1998/99 the Tribunal approved four associated party contracts involving AGL Gas Networks. All applications were received before 14 August 1998 and considered under the Gas Supply Act. Details of these contracts can be found on the Tribunal's website.

Price regulation of tariff customers

Price regulation of tariff customers continues to be covered under State laws. Section 27 of the *Gas Supply Act 1996*, enables the Tribunal to regulate tariffs to customers using less than 10 TJ per year. These customers are often referred to as tariff customers and consist of residential, industrial and commercial customers. The Gas Supply Act provides

for the Tribunal to issue gas pricing orders that enables the establishment of pricing mechanisms to apply to tariff customers.

Tariff regulation is not affected by national gas legislation and will continue to be undertaken under State laws.

Wagga Wagga, Albury, Moama and the NSW Murray Valley towns

The access reviews for gas networks serving these regions have assessed and determined efficient transportation prices for these networks. The transportation price, which will form part of the final delivered price, will have a direct influence on the final price.

Pending finalisation of these access reviews the Tribunal decided that consideration of the delivered price of natural gas in Albury, Moama and Wagga Wagga should be postponed to allow the decision on tariffs to be considered when the final outcomes of the Access Arrangements were known.

The Tribunal decided not to regulate the prices for gas supplies in the NSW Murray Valley towns that are supplied by the AGC. The Tribunal considered that, as these tariffs were developed as a result of a competitive process in a market already served by other energy sources, there is sufficient impetus for AGC to maintain prices at efficient levels.

The Tribunal's determination of gas tariffs for the remainder of these areas is expected to be released during the third quarter of 1999.

Tariff market served by AGL's network

Pending consideration of tariffs following a final decision on new third party Access Arrangements for AGL Gas Network the Tribunal continues to regulate AGL's tariffs customers according to a Price Control Formula (CPI -1.5%) which was set by the former Gas Council of NSW. This formula establishes a Maximum Average Price that AGL is required to stay within, subject to certain conditions. Further, AGL must obtain Tribunal approval to change standing or minimum charges.

In addition, voluntary tariff guidelines were put in place for any price increase to normally be no greater than \$5 per quarter, or 5 per cent per year in real terms, whichever is greater.

Meeting our Primary Objectives

During the reporting year AGL sought approval for the following changes:

- Increased supply fee for the Industrial and Commercial Rate 2 tariff in Wollongong/Shellharbour and Goulburn from January 1, 1999 with alterations to the block sizes to ensure that no customer on the Rate 2 tariff would pay more than they would at the same consumption level on the Rate 1 tariff.
- Increases in some supply fees and minimum bills from July 1999 which would have no net increase in AGL's tariff market revenue but will increase the amount of revenue derived from supply charges and reduce the amount of revenue derived from usage rates. The reduced revenue from usage rates results from a 15 per cent reduction in the "Residential General" tariff usage rate. In addition, many customers currently on the Residential General tariff will be better off choosing an alternative tariff.

In approving both changes the Tribunal stressed that the approval would not pre-empt the outcome of the current review of the delivered price of natural gas to the tariff market.

The current tariff review commenced in May 1998 with the release of an issues paper and will be undertaken in conjunction with the assessment of the AGLGN's proposed Access Arrangement. Following public consultation, the Tribunal has decided to defer a decision on tariff market regulation until the 1999 access review is completed.



*AGL tariff increases – 1 January, 1999
(December 1998)*



AGL tariff restructure – 1 July, 1999 (June 1999)

National Gas Pipelines Advisory Committee (NGPAC)

NGPAC was established as a result of an Inter-governmental Agreement. Representatives from all jurisdictions, regulators, industry and user groups

are members of this group. The group's primary responsibility is the administration of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). It monitors the effectiveness of the Code and makes recommendations on amendments to the Code and/or Gas Pipelines Access Law.

The Tribunal and the Office of Regulator General represent State regulators on this body. NGPAC met on three occasions during the financial year. The Tribunal's expertise and experience with the review of Access Arrangements has led to the Tribunal suggesting a number of Code changes which are currently under consideration by NGPAC. Code changes being considered include matters dealing with the release of confidential information, the collection and maintenance of financial and other information, and the use of benefit sharing mechanisms across Access Arrangement periods.

Gas Retail Contestability

A staged introduction of contestability in NSW gas market commenced in August 1997 when larger industrial customers became eligible to select a gas supplier of their choice. The NSW Government has recently decided to extend contestability to the remainder of the gas market according to the following timetable:

1 October 1999 1-10TJ customers

1 July 2000 All remaining customers

This segment of the NSW market consists of approximately 800,000 residential, small industrial and commercial customers. To ensure that adequate procedures and systems are in place for retail contestability for these customers, the Ministry of Energy and Utilities established a Gas Retail Project Steering Committee to oversight the process. Network operators, retailers, government departments, regulators (including the Tribunal) and users are represented on this group.

Transport



Regulation of transport pricing

Regulation of public transport fares pricing is carried out under the *Independent Pricing and Regulatory Tribunal Act 1992*. The Tribunal has full responsibility for all aspects of regulation under Section 11 of the IPART Act as the public transport agencies – State Rail (for CityRail) and State Transit Authority – are Standing Reference Agencies in Schedule 1 of the Act.

Setting Annual Fares

The Tribunal continues to set fares for CityRail and STA buses and ferries annually. The approach taken has regard to both the findings of the 1996 major review of transport pricing, and current factors affecting public transport.

CityRail and STA buses and ferries

The Tribunal recently released its determinations for fares for CityRail services and STA's buses and ferries from August 1999. Both CityRail and STA requested significant fare increases to reduce financial dependence on taxpayers, and contribute to the financing of additional services and higher customer service standards. Taxpayers currently fund around 60 per cent of the total costs of CityRail services.

The Tribunal concluded that it is fair and appropriate that public transport passengers make a

suitable contribution to the cost of these services and service improvements. Fare increases averaging 13.8 per cent for CityRail services were approved, with no fare increasing by more than 60 cents a journey and most fares increasing by 40 cents a journey or less.

For STA, the Tribunal determined a 7.0 per cent increase in fares to achieve cost recovery of the efficient costs of Sydney Buses and improve cost recovery levels for Sydney Ferries and Newcastle services. Future increases will also depend on STA developing customer service indicators and achieving an improving trend in those indicators.



Public Transport Fares from 1 August 1999 – CityRail and STA Buses and Ferries. (July 1999)

Monitoring Compliance, Service Standards and Efficiency

The Tribunal reviews fare schedules and requests information on service standards.

In its 1999 determination the Tribunal announced a Customer Charter for CityRail which will set out key service performance indicators. The extent of any future fare increases will be dependent on the demonstration of further improvements in passenger service levels across a range of relevant customer service indicators and a clearer portrayal of cost levels, cost drivers, and efficient costs.

Industry Reviews



All 'industry' reviews (reviews of pricing, industry or competition) are referred to the Tribunal by the Premier under Section 12A of the IPART Act.

Reviewing Fees for Development Control Services

Following the introduction of new legislation, the Premier requested the Tribunal to review the pricing principles of development control fees and establish guidelines for competitively neutral pricing for specified services which are opened up for competition.

For reporting purposes, the review has been divided into 3 parts:

- A report on competitive neutrality issues, providing guidelines for the setting of fees for contestable services, was released in December 1998.
- A report on miscellaneous fees for planning certificates, building certificates, provision of certified copies of documents, and registration of certificates for contestable services, was released in February 1999.
- A draft of a report with recommendations on fees for development control services provided by Councils and the Minister for Urban Affairs and Planning will be released during the third quarter of 1999 with a final report planned by the end of the calendar year.

The report on *competitive neutrality* issues covered pricing for complying development certificates, construction certificates, compliance certificates, occupation certificates and subdivision certificates where accredited certifiers have been allowed to compete in issuing these certificates across New South Wales from the start of 1999.

The Tribunal recommended guidelines for the prices that Councils can charge for issuing of these certificates, rather than specific fixed fees. It recommended the minimum Floor Price fees be calculated through an Avoidable Costs accounting system – based on costs which would be avoided if the service was not provided. This guideline makes it

difficult for Councils to limit competition by pricing contestable services at unrealistically low levels.

Councils will have the option of setting prices by other methods, such as Fully Distributed Costs, providing they are not less than the Avoidable Costs Floor Price. Councils can charge less than the Floor Price to fulfil community service obligations – as long as the fees are determined in advance and the extent of the community service obligation is clearly defined.

The report on *miscellaneous fees for planning certificates* covers fees which are normally made by vendors and purchasers as part of a property transfer or sale.

The Tribunal's recommendations, for consideration by the Minister for Urban Affairs and Planning, included a maximum fee of \$40 for both standard and complex planning certificates which could save people buying or selling property up to \$60.

An increase in Council charges for building certificates was proposed – from \$50 to \$70 for certificates covering Class 1 and 10 and a new standard \$10 fee was proposed to cover Councils' costs of registering development application certificates.



*Review of Fees for Development Control Services: An Issues Paper (December, 1997)
A Consultation Paper (July, 1998)*



Research Paper by Pannell Kerr Forster (July, 1998)



Report on Competitive Neutrality in Pricing (December, 1998)



Report on Miscellaneous Fees (February, 1999)

Review of the Taxi Cab and Hire Car Industries

This review is being undertaken under a reference from the Premier under Section 12A of the IPART Act. As part of the NSW Government's commitment to review, prior to 2000, all legislation restricting competition the terms of reference seek recommendations on any changes to the regulation of the taxi and hire car industries which might

Meeting our Primary Objectives

increase the levels of service and competition in these industries.

An interim report was released in August 1999 which explored the issues raised in public submissions and presented the Tribunal's preliminary recommendations on improving the existing regulation of taxis and hire cars under the *Passenger Transport Act 1990*. The recommendations are designed to improve customer service by helping the industries to better satisfy the demand for transport services.

The Tribunal's main findings and recommendations in the interim report can be summarised as:

- The number of taxi licences in the Sydney metropolitan area should be increased by 5 per cent per year for the next five years. Thereafter, the Government should review the need to retain restrictions on entry.
- The Department of Transport should produce a report annually, comparing Sydney with other Australian cities to determine whether there are sufficient taxi licences to meet passengers' needs. Measures to be applied include: the number of taxis per 1000 population, surveys of waiting times at taxi ranks, pick-up times for telephone bookings, and average numbers of hirings per taxi.
- Entry to the hire car industry should be opened, but regulation of operators, drivers and vehicle standards should continue.
- The Department of Transport should issue more taxi licences in rural and regional areas which have insufficient taxis.
- Taxi co-operatives and companies should be subject to benchmark standards for average pick-up times, driver and vehicle quality, provision of wheelchair accessible services, and complaints handling. The Department of Transport should produce a public report every six months, comparing how each taxi co-operative or company has performed against these standards.
- Maximum fares should continue to be regulated, but the flagfall fare should increase by \$1 at night to encourage a greater supply of taxis. A minimum fare of \$10 should apply from the airport to discourage drivers from refusing short trips.
- The annual licence fee for short term licences for wheelchair accessible taxis (WATs) should be

reduced to an administration fee of \$1,000, and the subsidy paid under the Taxi Transport Subsidy Scheme should be increased by paying a \$5 collection fee to drivers for WAT hirings. The scheme should be extended to hire cars, calculated on a per km rate.

Following consideration of public comments on the interim report the Tribunal expects to release a final report in the last quarter of 1999.



Review of the Taxi Cab and Hire Car Industries – Interim Report (August, 1999)

Review of Aspects of the NSW Rail Access Regime

The NSW Rail Access Regime was established in August 1996 to encourage competition in the provision of train services. Under Section 12A of the IPART Act the Tribunal was asked to examine some specific aspects of the regime. The terms of reference required IPART to report on:

- definitions of some economic cost terms used in calculating price levels
- appropriate asset valuation and depreciation methodologies
- an appropriate maximum rate of return.

A draft report was released in March 1999. Following comments on that report the Tribunal released a final report in April 1999. For the purposes of the NSW Rail Access Regime the main recommendations were that:

- Rail Access Corporation (RAC) access prices should be based on forward looking (forecast) efficient costs.
- RAC assets should be valued using a depreciated optimised replacement cost methodology (DORC) applied retrospectively from 1 July 1999.
- Ongoing depreciation for existing assets should be calculated based on a depreciated optimised replacement cost (DORC) asset valuation, assuming a 40 year remaining coal mine life (from July 1999) and using a straight line method. The estimate of remaining mine life should be revised every five years.
- The rate of return (in real, pre tax terms) used in the NSW Rail Access Regime should not exceed 8.0 per cent and should be applied to the average of the opening and closing DORC asset base.

Meeting our Primary Objectives

- The NSW Government should consider creating a process for revising the maximum rate of return at periodic intervals (three years was recommended).

The Regime has automatically incorporated IPART's recommendations relating to these matters.



Aspects of the NSW Rail Access Regime – Issues Paper (November, 1998)



Aspects of the NSW Rail Access Regime – Draft Report (March, 1999)



Aspects of the NSW Rail Access Regime – Final Report (April, 1999)

Review of Rail Safety Accreditation Costs

Safety accreditation fees are charged by the Transport Safety Bureau (TSB) to all rail participants using the NSW rail network. The Tribunal was asked by the Premier under Section 12A of the IPART Act to recommend:

- an appropriate methodology for determining which functions of the TSB should be paid for by industry participants
- an appropriate methodology for the allocation of accreditation costs amongst industry participants.

A final report was released in March 1999 which recommended a national approach with a risk based charging mechanism linked to the incidents and accidents of the rail participant. This methodology is aligned with the regulatory objectives of the TSB to reduce the number and severity of adverse rail events. The Tribunal also recommended that a number of functions carried out by the TSB should not be paid for by the industry as they provided benefits to the public well in excess of the benefits received by the industry.



Review of Rail Safety Accreditation Costs – Issues Paper (November, 1998)



Review of Rail Safety Accreditation Costs – Final Report (March, 1999)

Third Party Access



The Competition Principles Agreement requires all Australian governments to implement a range of measures to promote competition. One of these measures is to provide third parties with access to major infrastructure operated by public utilities. This includes railway tracks and electricity and gas distribution networks, which cannot generally be duplicated economically.

In January 1996 amendments to the Independent Pricing and Regulatory Tribunal Act established IPART as a regulator of access to government monopoly infrastructure in NSW. The *Gas Pipelines Access (New South Wales) Act 1998* also provided a role for the Tribunal in third party access to NSW gas distribution networks.

Registration of access agreements

Under the Independent Pricing and Regulatory Tribunal Act the Tribunal keeps registers of access agreements which provide basic information on the parties involved, the services provided, and the dates of agreements. Up to date information from the register is available on the Tribunal's website.

Section 24 of the Gas Supply Act requires the Tribunal's approval for all agreements between a network and a related supplier. While regulation of these contracts passed to the jurisdiction of the Third Party Access Code for Natural Gas Pipelines (the Code) from 14 August 1998, under transitional arrangements all applications for approval received before that time were subject to the Gas Supply Act. Up to date information on contract approvals is available from appropriate registers on the Tribunal's website.

Arbitrating disputes over access agreements

The Tribunal has powers under the IPART Act and the Code to arbitrate disputes concerning access to utility infrastructure assets that are subject to state regulation. This role extends to electricity transmission, electricity distribution, natural gas distribution, and rail infrastructure.

To support this role, an Arbitration Registry within IPART provides the following services in the event of an access arbitration:

- supporting the Arbitrator with access arbitration issues
- providing advice and procedural information to parties contemplating arbitration
- assisting with the conduct of arbitrations
- providing non-confidential information regarding determinations, subject to the parties' agreement.

To ensure procedural fairness, the registry is 'ring-fenced' (ie kept separate) from IPART's Secretariat during an arbitration. Arbitrations are generally conducted in private and follow strict rules of due process outlined in the Tribunal's Arbitration Procedures and Practice Notes.

The Tribunal can decide whether to act as arbitrator or to appoint one or more persons from an approved panel. If the parties have reasonable objections to the Tribunal acting as an arbitrator the Tribunal will appoint a suitable person from the approved panel.

No access arbitrations were undertaken in the reporting year, but some parties were provided with procedural advice regarding possible future arbitrations.

Assistance...



...under Section 9 of the IPART Act

Under Section 9(1)(b) of the IPART Act the Tribunal can provide assistance to other agencies and persons in fields within the scope of the Tribunal's expertise providing that this work does not detract from its normal work programs. This work must be approved by the Premier (as Minister responsible for the administration of the IPART Act) and the Tribunal can charge for the provision of such services.

Assisting NSW Agencies

Inquiry into Gaming in NSW

Under amendments to the Liquor and Registered Clubs Legislation the government was required to initiate an independent inquiry into gaming. The Cabinet Office (on behalf of the government) sought the assistance of the Tribunal to conduct the inquiry.

While this inquiry was conducted under Section 9(1) of the IPART Act, the Tribunal conducted this inquiry following most of the public processes for its normal investigations, including public submissions and a public hearing. The NSW Council of Social Service conducted a telephone hotline to assist the inquiry in understanding public views on various gaming issues.

The terms of reference for the inquiry covered the need for, and form of, a gaming commission or authority to oversight gaming; the relationship between the Casino Control Authority and any such commission; measures to foster a responsible gaming environment; and the coordination of problem gaming policies and support services.

In its report to the government the Tribunal recommended the establishment of a new gaming commission to control the NSW gaming industry and a separate enforcement and policy agency. The latter agency would undertake research into why people gamble, why gambling becomes a problem with some people, prevention methods and other related topics.

The Tribunal also recommended that the Casino Community Benefit Fund should provide funding for support services for gaming related problems and general research into gambling.



Report to Government: Inquiry into Gaming in NSW (November, 1998)

A review of NSW Health

The Minister for Health requested IPART's advice on options for more effective and efficient utilisation of public health resources. The review had regard to Commonwealth health funding issues and the impact of the fall in private health insurance coverage.

The review was oversighted by a Steering Committee comprising the Director General of NSW Health, the Secretary of the Treasury, Director General of the Cabinet Office and the Director General of the Premier's Department. The report was submitted to the Minister for Health in November 1998.

The review was given six terms of reference, specifically:

1. the impact of Commonwealth policies on the effectiveness of NSW Health
2. the impact of changes in levels of private health insurance coverage and utilisation
3. appropriate benchmark indicators of performance
4. the key outputs and programs provided by NSW Health including identification of Community Service Obligations (CSOs) within these outputs and programs
5. the relative contribution of factors to the increased cost of health service delivery
6. opportunities for, and the barriers to, achieving an effective and efficient allocation and utilisation of available health resources.

IPART was requested to consider the terms of reference within the context of:

- the negotiations for the renewal of the Medicare Agreement
- the development of a Strategic Directions statement for NSW Health.

In the report to the Minister for Health IPART made recommendations covering:

- improving the funding and structure of public health service delivery

Meeting our Primary Objectives

- reforming the State-Commonwealth relationship
- public – private interface
- better use of resources, improving productivity and labour reforms.



Report to the NSW Treasurer and the Minister for Health – A Review of NSW Health – from the Independent Pricing and Regulatory Tribunal of New South Wales (July 1999)

Sydney Water Corporation – Special Rebate

Disruptions occurred to clean water supplies by Sydney Water Corporation from 27 July to 4 August 1998. The Premier requested the Tribunal to make recommendations on the level of any rebates (or compensatory lower charges for the next quarter) that should be set in response to the disruption to clean water supplies.

The Tribunal recommended an amount of \$15 should be rebated off the next quarter's bills for Sydney Water's customers in the areas affected by the disruption. As the landlords are Sydney Water customers they were encouraged to pass on the payment to tenants, including those who do not normally pay for water usage.

In the light of further disruptions, the Tribunal also recommended that the increase in the usage price that was to apply to meter reading periods commencing on or after 1 July 1998 should be deferred. This freeze in water usage prices should continue until Sydney Water generally was able to supply filtered water of an appropriate quality to its customers.

In April 1999 the Premier requested the Tribunal to review the deferral of these water price increases. After investigation the Tribunal considered that Sydney Water Corporation had been able to provide evidence that it had taken, or, within an appropriate timeframe, was taking measures to comply with the recommendations of the McClellan Inquiry into the disruption of clean water supplies.

The Tribunal recommended that the freeze on the water usage charge be lifted.

Review of arrangements for the supply of bulk water by Sydney Catchment Authority to the Sydney Water Corporation

The Premier requested the Tribunal to assist Sydney Water Corporation (SWC) and Sydney Catchment Authority (SCA) by providing the following services:

- facilitate the provision of an initial draft of the arrangement to be entered into between SWC and SCA under Part 3 of the Sydney Water Catchment Management (SWCM) Act
- review the terms of the arrangements that were publicly exhibited under section 22(8) of the SWCM Act and report on them.

The Tribunal provided an initial draft of the arrangements to SCA and SWC in March 1999. It reported to the Premier on the other exhibited arrangements in August 1999.

Review of the operating licences for Sydney Water Corporation and Sydney Catchment Authority

The Sydney Water Act 1994 and the Sydney Water Catchment Management Act 1998 require each organisation to have an operating licence. The Premier requested the Tribunal to recommend the terms of the operating licences to apply from 1 January 2000 for the Sydney Catchment Authority and the Sydney Water Corporation.

The Sydney Water Inquiry recommended that the Operating Licences should be developed through a consultative and transparent process at arm's length from SWC and SCA. It further recommended that the Tribunal should be requested to make recommendations to government on the terms of:

- the initial Operating Licence for SCA; and
- an Operating Licence for SWC.

The Tribunal will conduct this inquiry following a public process. An issues paper was released on 24 June and a public hearing scheduled for 30 July 1999. The Tribunal's recommendations are expected to be made to the Premier during the last quarter of 1999.



Review of the operating licences for Sydney Water Corporation and Sydney Catchment Authority – Issues Paper (June 1999)

Inquiry into the Electoral System for the City of Sydney

In August 1998 the Government convened a Commission of Inquiry to review the qualifications of electors and procedures for the conduct of the election for the Sydney City Council. At the request of the Minister for Local Government the Tribunal reviewed the submissions and consulted with the Commissioner during the course of this inquiry.



Meeting our Primary Objectives

Security of Payment in Building Industry

In November 1998, the Premier requested that the Tribunal report on the effectiveness and costs and benefits of proposals outlined in the Parliamentary Joint Standing Committee on Small Business report on Security of Payment in the NSW Building Industry.

Security of payment is mainly of concern in the event of a contractor's insolvency. When this occurs the sub-contractors are not guaranteed security of payment for work undertaken.

In May 1999, the Tribunal submitted to the Premier and the Minister for Public Works and Services a report on the need for compulsory registration and the establishment of a building registration authority. The Tribunal has also to report on the Committee's proposal for mandatory security of payment insurance. The Tribunal is currently examining this issue and expects to issue a report during the coming financial year.

Review of lease arrangements for Port Kembla Coal Terminal

In May 1999 the Premier asked the Tribunal to provide advice to the Treasurer on an appropriate lease payment by Port Kembla Coal Terminal

Limited to the Port Kembla Port Corporation for the lease of the Port Kembla Coal Terminal. The Tribunal's report is expected to be completed in the third quarter of 1999.

Assisting other States

Helping the Australian Capital Territory (ACT) to investigate ACTEW'S charges

The Tribunal assisted the ACT Independent Pricing and Regulatory Commission with an investigation into charges for electricity, water and sewerage services supplied by ACTEW Corporation Limited.

The Tribunal provided comprehensive support to the Commissioner, including assistance with the public hearings, briefings on submissions and issues relating to the investigation and drafting of the Commission's interim and final reports. A price direction covering a medium term price path was issued by the Commissioner in May 1999.

The Tribunal is currently assisting the Commission in assessing proposed arrangements for third party access to AGLGN's gas distribution network in the ACT and surrounding areas.

Meeting Our Supporting Corporate Objectives

The Tribunal's supporting corporate objectives are to:

- consult widely with our stakeholders
- achieve excellence in both organisation and staff performance.

Consulting...

...widely with our stakeholders

Stakeholders

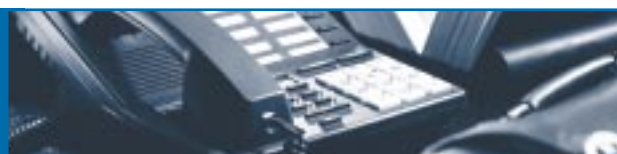
IPART stakeholders are people and organisations with an interest in the Tribunal's decisions. Key stakeholders are:

- the Government
- shareholders (including government shareholders)
- "regulated" enterprises
- customers of "regulated" enterprises
- the community
- interest groups (including industry, environmental and welfare groups)
- third parties (those seeking access to infrastructure facilities)
- other jurisdictions
- our staff.

Stakeholder involvement in Tribunal investigations

Stakeholder involvement is an important part of the Tribunal's processes to ensure that the Tribunal is aware of the range of viewpoints on the issues being considered. To ensure that stakeholders are well informed the Tribunal:

- advertises all investigations and invites public submissions
- informs key stakeholders of investigations and seeks submissions
- holds public hearings, with transcripts available for public inspection



- arranges public seminars and workshops
- seeks the views of the public through advertisements and surveys
- maintains a public register of material placed before it
- publishes issues papers, discussion papers and research reports
- consults extensively with interested organisations and the parties affected by investigations
- where appropriate, releases interim reports and seeks comments before releasing final reports
- explains its decisions in published reports
- maintains a website with comprehensive information about the Tribunal's role, investigation timetables, submissions and reports issued.

Consultation with stakeholders

In providing advice to the Tribunal, the Secretariat liaises extensively with other Government agencies, businesses, consumer, welfare, and private organisations, special interest groups, and individuals. As well as receiving a wide range of information from the Government agencies whose monopoly services are subject to review or price determination by the Tribunal, the Secretariat has received substantial input from various Government agencies whose operations or policy areas impinge on the business activities of those agencies.

A number of consultative groups have been formed to improve the Tribunal's awareness of the views of interested parties and to provide forums for discussion developments in regulated markets.



Meeting our Supporting Corporate Objectives

These include:

Water Industry Forum – representatives from land developers, urban water agencies and relevant government agencies and IPART consult on issues affecting the implementation of the methodology for pricing of developer charges for water and sewerage services. In November 1997, the forum issued its 1997 report which endorsed the common use of a net present value approach to calculating developer charges.

Electricity Industry Consultation Group – This group covers liaison on electricity pricing issues with distributors, retailers, customers, environmental groups, consumer, and business groups, the Ministry for Energy and Utilities and the Electricity Reform Taskforce.

Wires Working Group – Liaison with electricity distributors, TransGrid and the Electricity Reform Taskforce on network pricing, technical and related access issues.

Gas Industry Consultation Group – representatives from pipeline operators, gas retailers, gas producers, gas customers, business and community groups and IPART consult on matters relating to technical and other issues arising from third party access to gas distribution networks.

Reports and publications

A wide range of publications is released for Tribunal investigations covering:

- issues papers
- information and research papers
- interim and final reports.

Details of reports released during 1998/99 are shown with individual industry program reports presented above and a list of publications is shown in Appendix 3. Recent reports are also available for viewing and downloading from the Tribunal's website.

All formal price determinations under the IPART Act are published in the Government Gazette.

Public hearings, submissions and transcripts

Copies of all submissions to Tribunal's investigations that are not subject to confidentiality or

are considered as exempt documents under the Freedom of Information Act are made available for public inspection immediately following registration. The Tribunal holds at least one public hearing for each investigation. Transcriptions of all public hearings are also available for public inspection.

Copies of all publicly available submissions and hearing transcripts are available for inspection from the Tribunal's public access library located at Level 2, 44 Market Street, Sydney. Inquiries: telephone (02) 9290 8400, fax (02) 9290 2061. Alternatively, all available public submissions to current investigations and transcripts of public hearings are available for viewing and downloading on the Tribunal's website.

Details of public hearings held during 1998/99 and statistics of submissions received during this period are shown in Appendix 2.

IPART's Website

The IPART website – www.ipart.nsw.gov.au – provides stakeholders and interested parties with an up to date on-line coverage of the Tribunal's activities. In essence, this provides current coverage of many of the issues covered in this Annual Report. The website is part of the NSW Government's commitment to bring comprehensive electronic services to users via the Internet.

As well as proving a wide range of information about the Tribunal's role, its legislation, Corporate Plan and contacts, the site is regularly updated with information about the Tribunal's current work program, including:

- current timetables for all investigations, including public hearing schedules
- copies of all media releases and advertisements
- on-line access for browsing and downloading of public submissions, reports and other publications
- the Tribunal's Annual Report and Corporate Plan
- an up to date review of major areas of regulation.

Achieving...



...excellence in both staffing and organisation

The Tribunal's Secretariat

The Tribunal's Secretariat provides research and advisory services to the Tribunal and supports the administration of the Tribunal's investigations and its public processes.

Professional staff members are predominantly highly experienced economists and financial/accounting analysts who work in industry based teams that undertake research and investigation to provide skilled professional advice to the Tribunal. A small Access Group covers general third party access issues, the access agreement register and provides an Arbitration Registry when the Tribunal undertakes the arbitration of an access dispute.

An administration team provides general administrative and personnel support to the operational areas as well as managing the Tribunal's processes, including the public registry, submissions, preparation and publication of reports, and website.

In most investigations additional research activities are required to provide the Tribunal with the highest quality advice on frequently very complex topics. Additional consultant research is commissioned as required for this work. If necessary the Tribunal can also second staff from other government agencies to assist with particular investigations.

During the first three years of operation as the Government Pricing Tribunal the Secretariat operated with a small team of about 15 staff. With the wider role for the Independent Pricing and Regulatory Tribunal generating a substantial growth in workload and greater complexity of regulation under national laws, staff numbers increased to 38 at 30 June 1998.

Encouraging excellence in an open working environment

The Tribunal's professional staff work on a team basis in two industry areas – Water and Transport; and Energy and Other Industries. A Program

Manager is responsible for each team allocated to specific industry area. Staff may work in more than one team and may move from team to team to gain experience in a variety of areas.

Interaction between teams is encouraged and staff members regularly make presentations on issues with which they have been involved. Regular peer review sessions are held on major topics and investigations.

A staff development system which encourages new skills

All Tribunal staff are included in a Performance Enhancement System in which a performance plan is developed and performance is assessed regularly with their supervisor. The system includes both an assessment of competencies required and identifies a training and development plan for each individual.

Staff are encouraged to identify opportunities, both in the workplace and through training, to develop new skills that will be of benefit to both the staff member and the Tribunal.

Staff meetings and planning conferences

Meetings of all staff are held approximately every 6 weeks to consider issues of interest to staff. All staff members are given the opportunity to chair the meetings.

Topics discussed include working conditions, administrative arrangements and facilities and impacts of the work program on staff.

A two day annual Planning Conference attended by all staff is held in August each year. The Conference provides an opportunity for all staff to review the main events of the last year and consider the challenges of the forthcoming year. A professional facilitator manages the Conference and a theme for the conference is developed each year by a staff committee.



Meeting our Supporting Corporate Objectives

Implementation of an action plan from each Conference is reviewed regularly by both Executive and Staff meetings.

A new award for Tribunal staff

All Tribunal staff are employed under Section 8(2) of the Independent Pricing and Regulatory Tribunal Act 1992. Employment conditions are similar to general public sector conditions with access to all relevant State superannuation schemes.

In February 1999 the Industrial Commission approved the Crown Employees (IPART 1998) Award which replaced a prior enterprise agreement for non-executive staff at IPART. The award, which provided for salary increases to be paid from 1 July 1998, 1 January 1999 and 1 January 2000, covers all the major working conditions and includes a range of flexible working conditions including flexitime and arrangements for working from home.

The main features of the award are extensions to flexitime to reflect the long working hours of staff

needed to produce major reports; an additional salary range for senior analysts; provision for accelerated advancement for excellent performance; and special payments to staff in recognition of additional work undertaken under Section 9 of the Act.

Records Management

A recent Planning Conference identified that priority attention needed to be given to records management to improve efficiency of identification of information and ensure that adequate records are kept of the work carried out for each investigation.

Following recommendations of a consultancy on the Tribunal's record keeping needs, comprehensive changes have been made to physical and electronic records management arrangements. These have centred on the installation of a TRIM electronic records management system which includes correspondence and file tracking. The system now maintains electronic copies of internally generated documents and scanned copies of major incoming correspondence.

Meeting our Supporting Corporate Objectives

The Tribunal's Organisation

The Tribunal's Executive, which reports directly to the Chairman, has three members:



General Manager, Secretariat

John Dulley, BA Hons

Secretary to the Tribunal, responsible for the general administration of the Secretariat, legislative compliance, public access arrangements, information technology and timely completion of Tribunal projects.



Chief Manager, Energy and Other Industries

Eric Groom, BEc Hons, MEc

Responsible for managing industry programs, providing specialist advice to the Tribunal, and preparing discussion papers and Tribunal reports.

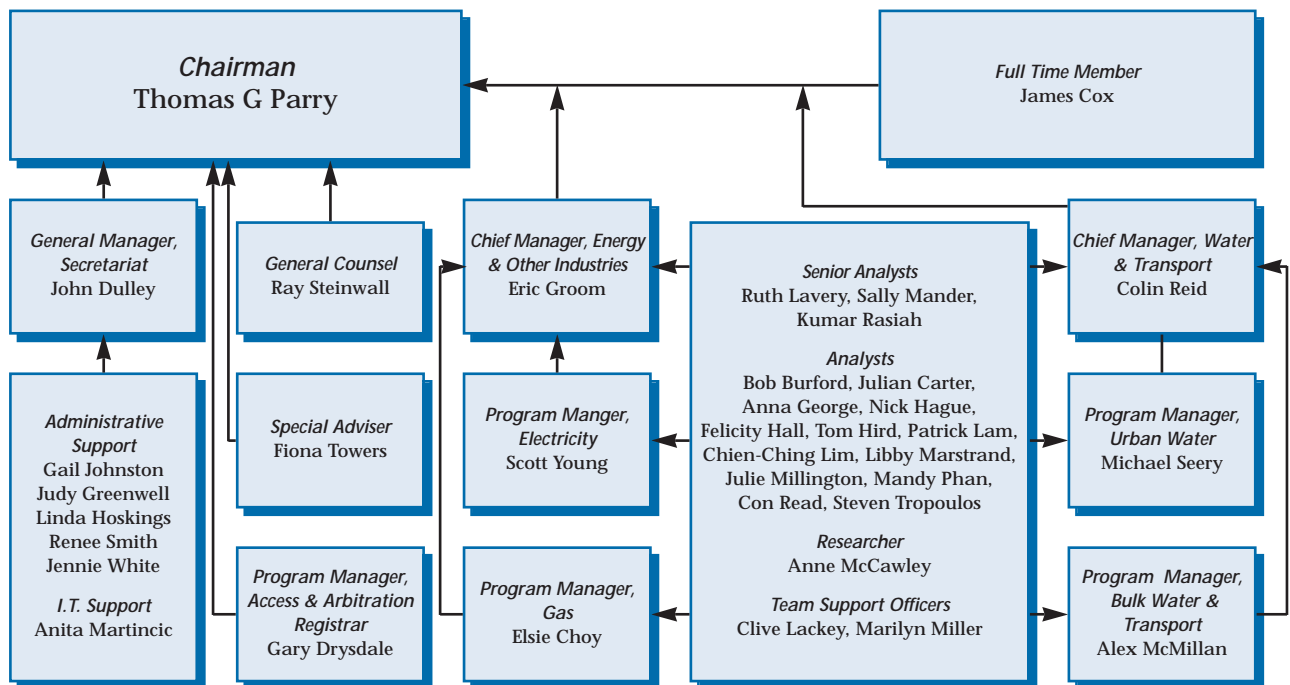


Chief Manager, Water and Transport

Colin Reid, BCom(Accounting), ASIA, CPA

Responsible for managing industry programs, providing specialist advice to the Tribunal, and preparing discussion papers and Tribunal reports.

IPART Organisation Chart as at June 1999



Impacts of Tribunal Determinations

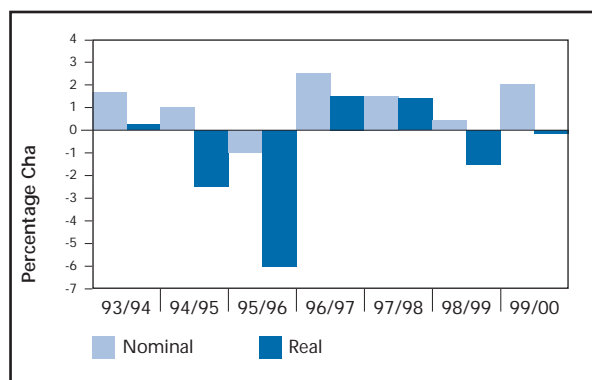
The Tribunal regulates declared monopoly services supplied by the NSW Government in electricity, water and sewerage, and public transport industries, and private monopoly supply of natural gas. The Tribunal's price determinations affect both household expenditure and costs of businesses.

Impact on Households

The Tribunal's Index of Household charges measures the impact on an average household of charges that are subject to regulation by the Tribunal. The Index is based on the Australian Bureau of Statistics (ABS) data on household expenditures and covers electricity, gas, water and public transport.

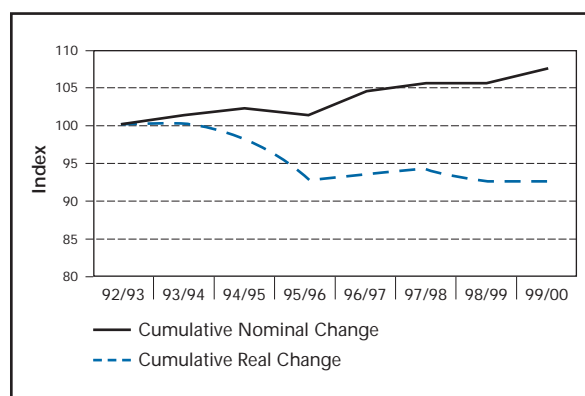
The Index of Household Charges is forecast to show a weighted average nominal increase for 1999/2000 of 1.9% in the prices of electricity, gas, water and public transport for households in NSW. The forecast average increase in 1999/2000 in the total basket of goods measured by the consumer price index (CPI) for NSW is 2%¹. This would result in a fall in the Index of Household Charges of just under -0.1% in real terms for 1999/2000.

Figure 1: Index of Household Charges from 1993/1994–1999/2000



The Index shows a very small real increase in 1993/94, followed by real reductions in the prices of the regulated commodities and services for the subsequent two years. From 1996/97 the index shows that there is a return to a nominal and real increase in the index. If the forecast inflation of 2% prevails, then the index would decrease in real terms for 1999/2000.

Figure 2: Index of Household Charges from 1993/94–1999/2000



Indicative Impacts on Residential Customers

This section provides an assessment of the determinations that are applicable in 1998/99 on indicative NSW residential customers.

Electricity

Contestability is being introduced into the electricity market progressively with the aim to eventually allow all customers to choose from whom they purchase their electricity. Over the past year, the franchise residential customers of NSW have experienced an average nominal price change of -0.4% (-1.7% real). However, for the individual distributors, some have actually experienced a slight increase in the average price.

Average electricity prices for residential customers (a)

	Whole of NSW Ave Real Price (cents/kWh)	Whole of NSW Ave Nominal Price (cents/kWh)
1995/96	9.90	9.65
1996/97	9.84	9.62
1997/98	9.89	9.77
1998/99	9.72	9.72
Change from 97/98–98/99	-1.7%	-0.4%*

*Note that percentages do not add due to rounding

(a) Data used in this analysis comes from the regulatory accounts

¹ This CPI figure has been quoted in the NSW Treasury 1999/2000 Budget papers, Budget Summary, p7.

Meeting our Supporting Corporate Objectives

Gas

Gas tariffs comprise of a fixed and a variable component. Tariffs have been rising for both the residential and non-residential customers of AGL. AGL Residential users have experienced a decrease in the usage component while at the same time there has been an increase in the standing charge. On the whole, the changes in the structure of the tariffs should be revenue neutral.

Currently, AGL is still operating under the Price Control Formula set by the former Gas Council of NSW. The Tribunal is reviewing the costs of serving AGL's tariff market in order to make a determination on future tariff regulation.

AGL's average tariff price for 1998/99 is \$12.78/TJ. This is a 1.7 per cent (nominal) increase from last years average price.

Delivered Average Tariff Prices

	1994/95	1995/96	1996/97	1997/98	1998/99
Average tariff price	11.21	11.77	12.10	12.56	12.89
Nominal change	-	5.00%	2.80%	3.80%	2.60%
CPI	115.40	119.90	120.20	121.40	123.00
Real prices	11.79	11.92	12.22	12.56	12.72
Real change	-	1.10%	2.5%	2.8%	1.3%

Note that these average prices cover the residential and business customers of AGL in the whole of NSW.

Water

There was no nominal change in residential water prices for the whole of NSW. Individually, Sydney Water customers experienced a 2.8 per cent increase, Hunter Water and Wyong customers experienced a reduction in prices of 1.2 per cent and 1.7 per cent respectively, while Gosford had no change.

However, due to the price freeze following the water contamination last year, the actual increase in prices for Sydney Water customers over the year is less than the 2.8 per cent since the price rise was not in place for the full year.

An example of an average bill for Sydney Water customers is shown below.

Water prices applicable to residential customers of SWC (Nominal \$)*

Residential customer with average usage (220 KL pa) Water and Sewerage services	Total Bill (\$/week)
1995/96	9.87
1996/97	10.28
1997/98	10.32
1998/99	10.63
1999/00	11.24
Change from 1999-2000	0.61

Public Transport

The proposed increase in transport charges will have a negligible effect on the overall cost of living within the Greater Metropolitan Region. Train fares have had the most noticeable change. Although the fare increase is much higher than in previous years, SRA fares do compare favourably with other forms of public transport.

Changes in prices for STA (bus) and SRA (rail) travel - selected period tickets

Commuter trip (ticket) Examples	1996/97 Cost (\$/week)	1997/98 Cost (\$/week)	1998/99 Cost (\$/week)	1999/00 Cost (\$/week)	Change from 98/99 (\$/week)
Weekly and travel pass					
Campbelltown -City (weekly)	29.00	30.00	31.00	35.00	4.00
Parramatta -City (weekly)	20.40	21.00	21.00	24.00	3.00
Lane Cove-City (blue travel pass)	18.10	19.00	20.00	23.30	3.30
Five Dock-City (red travel ten)	16.80	17.20	17.60	17.60	0.00

Indicative Impacts on Non-Residential Customers

This section provides an assessment of the impacts of the determinations that are applicable in 1999/2000 on non-residential customers in NSW.

Electricity

National competition reform has progressively introduced contestability into the electricity industry. As a result, the change in average price for franchise business customers can not be measured as more and more of them become contestable. However, it is foreshadowed that competitive forces should result in better prices for customers.

Gas

Retail prices to gas customers who consume more than 10TJ pa (large industrial customers) are not regulated. Tariffs are made up of a usage and supply component. The usage charges have not changed since 1997, however the supply component has increased. Only the supply fee for Goulburn and Wollongong Shellharbour regions have increased in the past year. As the supply fee is usually a minor proportion of the total bill the effect has not been significant.

Meeting our Supporting Corporate Objectives

Water

The table below shows that revenue collected from the non-residential customers has been decreasing. The nominal values have been adjusted for the Sydney CPI (the 1999/2000 CPI has been derived using the 2 per cent average inflation for NSW that is forecasted in the 1999/00 Budget papers) to get the real values based on 1998/99 prices.

Water charges for non-residential customers of SWC and HWC

Real 1998/99\$	Income from Non-residential charges	Reductions in Non-residential charges	Nominal Change	Real Change
	(\$m)	(\$m)	(%)	(%)
SWC				
1997/98	341.54	-		
1998/99	307.68	33.86	-8.70	-9.10
1999/00	295.07	12.61	-2.30	-4.10
HWC				
1997/98	35.36	-		
1998/99	35.88	-0.52	2.80	1.40
1999/00	32.55	-3.34	-7.50	-9.30

Bulk Water

The determination released in 1998 on Bulk Water prices for 1998/99 and 1999/2000 has set maximum prices to provide certainty.

- Prices for regulated rivers should increase revenue by 11 per cent in 1998/99 and 15 per cent in 1999/2000.
- Licence for unregulated rivers can be area based or volumetric based. Prices for unregulated rivers should increase revenue by 5 per cent in 1998/99 and 8 per cent in 1999/2000. Conversion from an area to a volumetric based license should give some users an opportunity to reduce their bills by better managing their water usage.
- Ground water prices should increase revenue by 12 per cent in 1998/99 and 7 per cent in 1999/2000.



Financial Statements 1998/99

FOR THE YEAR ENDED 30 JUNE 1999

The following financial statements are included:

- Auditor-General's opinion
- Statement by Chairman of the Independent Pricing and Regulatory Tribunal
- Operating statement
- Statement of financial position
- Statement of cash flows
- Summary of compliance with financial directions
- Notes to and forming part of the financial statements for the year ended 30 June 1999.



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT
INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

To Members of the New South Wales Parliament and the Members of the Tribunal

Scope

I have audited the accounts of the Independent Pricing and Regulatory Tribunal of New South Wales for the year ended 30 June 1999. The Members of the Tribunal are responsible for the financial report consisting of the statement of financial position, operating statement, statement of cash flows, and summary of compliance with financial directives, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Members of the Tribunal based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative and policy requirements, which could have an impact on the financial report of the Independent Pricing and Regulatory Tribunal of New South Wales, are reviewed on a cyclical basis. For this year, the requirements examined were core business activities being in accordance with the *Independent Pricing and Regulatory Tribunal Act 1992*.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Tribunal's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal of New South Wales complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Tribunal as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in blue ink, appearing to read 'P. Carr'.

P. CARR, FCPA
DIRECTOR OF AUDIT

(duly authorised by the Auditor-General of New South Wales
under Section 41C(1A) of the Act)

SYDNEY
1 October 1999



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

STATEMENT ON BEHALF OF THE INDEPENDENT PRICING
AND REGULATORY TRIBUNAL

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent Agencies, the Public Finance and Audit (General) Regulation 1995 (as applicable) and Treasurer's Directions;
- b) the statements exhibit a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 1999 and transactions for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Thomas G. Parry
Chairman

James Cox
Member

1 October 1999

Financial Statements 1998/99

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	Note	Actual 1999 \$'000	Budget 1999 \$'000	Actual 1998 \$'000
Expenses				
Operating Expenses:				
Employee Related	2(a)	3,304	3,091	2,923
Other Operating Expenses	2(b)	2,166	1,680	1,762
Maintenance	2(c)	18	20	21
Depreciation and Amortisation	2(d)	120	105	125
Total Expenses		5,608	4,896	4,831
Less:				
Retained Revenue				
Sale of Goods and Services	3(a)	216	0	247
Investment Income	3(b)	34	6	22
Other Revenue	3(c)	91	75	355
Total Retained Revenue		341	81	624
Gain/(loss) on sale of non-current assets	4	0	0	(26)
NET COST OF SERVICES	21	5,267	4,815	4,233
Government Contributions:				
Recurrent Appropriation	5	4,258	4,149	3,972
Capital Appropriation	5	75	75	32
Acceptance by the Crown Entity of Employee Entitlements and Other Liabilities	6	309	248	209
Total Government Contributions		4,642	4,472	4,213
SURPLUS/(DEFICIT) FOR THE YEAR		(625)	(343)	(20)

The accompanying notes form part of these statements.



Financial Statements 1998/99

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1999

	Note	Actual 1999 \$'000	Budget 1999 \$'000	Actual 1998 \$'000
ASSETS				
Current Assets				
Cash	8	441	58	630
Receivables	9	69	266	215
Total Current Assets		510	324	845
Non Current Assets				
Plant and Equipment	10	406	435	431
Total Non Current Assets		406	435	431
TOTAL ASSETS		916	759	1,276
LIABILITIES				
Current Liabilities				
Accounts Payable	11	425	253	189
Employee Entitlements	12	418	201	343
Other	13	46	46	46
Total Current Liabilities		889	500	578
Non-Current Liabilities				
Other	13	75	167	121
Total Non-Current Liabilities		75	167	121
TOTAL LIABILITIES		964	667	699
NET ASSETS		(48)	92	577
EQUITY				
Accumulated Funds	14	(48)	92	577
TOTAL EQUITY		(48)	92	577

The accompanying notes form part of these statements.



Financial Statements 1998/99

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1999

	Note	Actual 1999 \$'000	Budget 1999 \$'000	Actual 1998 \$'000
Cash Flows from Operating Activities				
Payments				
Employee Related		(2,997)	(2,890)	(2,673)
Other Operating Expenses		(1,948)	(1,700)	(1,797)
Total Payments		(4,945)	(4,590)	(4,470)
Receipts				
Sale of Goods and Services		216	0	247
Investment Income		34	0	21
Other Revenue		191	81	361
Total Receipts		441	81	629
Cash Flows from Government				
Recurrent Appropriation		4,258	4,149	3,972
Capital Appropriation		75	75	32
Cash reimbursement from the Crown Entity		77	47	51
Net Cash Flows from Government		4,410	4,271	4,055
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	(94)	(238)	214
Cash Flow from Investing Activities				
Proceeds from sales of Plant and Equipment		0	0	2
Purchases of Plant and Equipment		(95)	(75)	(48)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(95)	(75)	(46)
NET INCREASE/(DECREASE) IN CASH Opening Cash and Cash Equivalents		(189) 630	(313) 371	168 462
CLOSING CASH AND CASH EQUIVALENTS	8	441	58	630

The accompanying notes form part of these statements.

Financial Statements 1998/99

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES FOR THE YEAR ENDED 30 JUNE 1999

	1999				1998			
	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000
Original Budget Appropriation/ Expenditure								
- Appropriation Act	4,149	4,149	75	75	3,950	3,950	32	32
	4,149	4,149	75	75	3,950	3,950	32	32
Other Appropriation/ Expenditure								
- Treasurer's Advance	109	109	0	0	22	22	0	0
	109	109	0	0	22	22	0	0
Total Appropriations/ Expenditure (includes transfer payments)	4,258	4,258	75	75	3,972	3,972	32	32
Drawdowns from Treasury		4,258		75		3,972		32
<i>Total Unspent Appropriation</i>		<i>0</i>		<i>0</i>		<i>0</i>		<i>0</i>

Notes to the Summary of Compliance with Financial Directives.

The Tribunal received additional funding of \$57,000 for increase in remuneration for the chairman and member and \$52,000 for a gaming inquiry. The amounts were provided from the vote 'Advance to Treasurer'.



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Independent Pricing and Regulatory Tribunal of New South Wales (hereafter referred to as the Tribunal) is a separate reporting entity. There are no entities under its control.

As the Tribunal is a single program entity, the financial operations disclosed in the Operating Statement and Statement of Financial Position are those of the Tribunal program. Accordingly, a separate supplementary program statement has not been prepared.

(b) Basis of Accounting

The Tribunal's financial statements are a General Purpose Financial Report which has been prepared, on an accrual basis and in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements, the requirements of the Public Finance and Audit Act and Regulations and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Statements of Accounting Concepts are used as guidance in the absence of applicable Accounting Standards, Urgent Issue Groups Consensus Views and legislative requirements.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year. The Summary of Compliance with Financial Directives has been presented in the form required by the amended Financial Reporting Code. Where necessary prior years amounts have been adjusted to provide meaningful comparative information.

(c) Administered Activities

The Tribunal does not administer any activities on behalf of the Crown Entity.

(d) Parliamentary Appropriations

Parliamentary Appropriations are recognised as revenues when the Tribunal obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

With effect from the financial year ended 30 June 1999, appropriations are received on an agency basis. Prior to 1998-99, agencies received appropriations on a program basis. This change has resulted in a change in the Summary of Compliance with Financial Directives as program information is no longer required in the Summary of Compliance.

(e) Employee Entitlements

(i) *Salaries, Annual Leave, Sick Leave and On-Costs*

Liabilities for salaries, annual leave and vesting sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

The outstanding amounts for payroll tax, workers' compensation insurance premiums and fringe benefit tax, which are consequential to employment are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) *Long Service Leave and Superannuation*

The Tribunal's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Tribunal accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee entitlements and other liabilities'.

Long Service leave is measured on a nominal basis. The nominal method is based on remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(f) Insurance

The Tribunal's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisition of assets controlled by the Tribunal. Cost is determined as the fair value of the asset, given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(h) Plant and Equipment

Items of Plant and Equipment costing \$5,000 and above individually are capitalised.

(i) Revaluation of Physical Non-Current Assets

As the Tribunal does not own Land, Buildings or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets every five years, unless it becomes aware of any material difference in the carrying amount of any class of assets. It is considered by management that the written down value of its non-current assets (computers, plant and equipment etc) would approximately equate to market value.

The recoverable amount test has not been applied as the Tribunal is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

(j) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis against all depreciable assets so as to write off the depreciable amount of each depreciable asset as it is consumed over its useful life to the Tribunal.

Depreciation Rates	% Rate
Computer equipment and software	25.000%
General Plant and Equipment	14.286%
Fixtures and Fittings	10.000%
Leasehold improvements over the lesser of the period of lease or the useful life of the improvements.	

(k) Leases

Leasing transactions are operating leases of buildings and motor vehicles. Lease payments are recognised as expenses over the lease term.

The lease incentive received by the Tribunal in previous years is being amortised over the period of the lease – refer to Note 13.

(l) Financial Instruments

Financial Instruments give rise to positions that are financial assets or liabilities (or Equity Instruments) of either the Tribunal or its counterparties. These include Cash at Bank, Receivables and Accounts Payable. Classes of instruments are recorded at cost and are carried at net fair value.

The terms, conditions and accounting policies applied by the Tribunal in relation to Financial Instruments are set out in Note 22.

(m) Year 2000 Date Change

The Tribunal is investigating if and to what extent the date change from 1999 to 2000 may affect its activities. The Tribunal has established a program to help ensure that the impact of the transition to the year 2000 on the Tribunal and its customers is minimised by seeking to ensure that its significant/core computer hardware, software and/or systems are 2000 compliant. The Tribunal does not expect its activities to be significantly impacted by the change.

(n) Revenue Recognition

Revenue arising from the sale of goods and disposal of other assets is recognised when the Tribunal has passed control of the goods or other assets to the buyer and consideration is expected by the Tribunal, whether or not cash has been received.

Revenue from the rendering of services is recognised as and when services have been rendered and there is a valid claim against external parties, whether or not cash has been received.

Investment income is recognised for the total period of the investment whether or not cash has been received.

Refer to Note 1(e) for the Acceptance by the Crown Entity of Employee Entitlements and Other Liabilities.

Revenues arising from the contribution of assets to the Tribunal are recognised when the Tribunal gains control of an asset or the right to receive the asset.



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

2. EXPENSES

2(a) Employee Related Expenses

Employee Related Expenses comprise of the following specific items:	1999	1998
	\$'000	\$'000
– Salary and Wages (including Recreation Leave)	2,815	2,510
– Superannuation Entitlements	199	124
– Long Service Leave	96	77
– Workers Compensation Insurance	14	12
– Payroll Tax and Fringe Benefit Tax	180	200
	3,304	2,923

Employee related expenses includes \$51,540 in payments to temporary members of the Tribunal.

2(b) Other Operating Expenses

Other Operating Expenses include:	1999	1998
	\$'000	\$'000
– Auditor's Remuneration	14	12
– Rental Expense Relating to Operating Leases	229	243
– Insurance	6	5
– Corporate Services	74	32
– Consultancies	1,199	756
– Travel Expenses	75	150
– Legal Fees	34	18
– Other Operating Expenses	535	546
	2,166	1,762

Consultancy charges totalling \$25,000 were recovered from Tribunal clients. These amounts are recognised under Other Income.

2(c) Maintenance

Maintenance Charges comprise:	1999	1998
	\$'000	\$'000
– Repairs and Routine Maintenance	18	21
	18	21

Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

2(d) Depreciation & Amortisation

Depreciation and Amortisation Expenses:	1999 \$'000	1998 \$'000
– Leasehold Improvements	46	42
– Computer Equipment	57	56
– General Plant and Equipment	6	9
– Furniture and Fittings	11	18
	120	125

3. REVENUES

(a) Sale of Goods and Services:	1999 \$'000	1998 \$'000
– Seminars	0	84
– Other	216	163
	216	247

(b) Investment Income comprises:	1999 \$'000	1998 \$'000
– Interest	34	22
	34	22

(c) Other Revenue comprises:	1999 \$'000	1998 \$'000
– Lease Incentive Amortisation	46	46
– Other Income	45	309
	91	355

4. GAIN/(LOSS) ON SALE OF NON-CURRENT ASSETS

	1999 \$'000	1998 \$'000
– Proceeds from sale	0	2
– Written down value of assets sold	0	28
Gain/(loss) on sale of Non-Current Assets	0	(26)



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

5. APPROPRIATIONS

	1999	1998
	\$'000	\$'000
Total appropriations comprise:		
Recurrent		
- Total recurrent drawdowns from Treasury (per Summary of Compliance)	4,258	3,972
- Less: Transfer payments	0	0
Recurrent appropriations (per Operating Statement)	4,258	3,972
Capital		
- Total capital drawdowns from Treasury (per Summary of Compliance)	75	32
- Less: Transfer payments	0	0
Capital appropriations (per Operating Statement)	75	32

6. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

	1999	1998
	\$'000	\$'000
The following liabilities and/or expenses have been assumed by the Crown Entity		
- Superannuation	122	72
- Payroll Tax on Superannuation	14	9
- Long Service Leave	96	77
- FSS Reimbursement	77	51
	309	209

7. PROGRAMS/ACTIVITIES OF THE TRIBUNAL

Program 1 - Pricing Regulation

Objective: To provide an independent assessment of pricing and associated activities including setting maximum prices and undertaking pricing reviews of monopoly services supplied by government agencies. To regulate natural gas pricing and third party access to gas networks, undertake general reviews of industry, pricing or competition and to register agreements for access to infrastructure assets and to arbitrate in disputes arising from such agreements.

Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

8. CURRENT ASSETS – CASH

Cash comprises:	1999 \$'000	1998 \$'000
– Cash at Bank	440	629
– Cash on Hand	1	1
	441	630

9. CURRENT ASSETS – RECEIVABLE

Receivable comprises:	1999 \$'000	1998 \$'000
– Sundry Debtors	56	201
– Interest Receivable	13	14
	69	215

No Provision for Doubtful Debts has been provided as all Debts are considered collectable.

10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Movement	Furniture & Fittings \$'000	Computer Equipment \$'000	Gen.Plant Equipment \$'000	Lease Fitouts \$'000	Total 1999 \$'000	Total 1998 \$'000
(i) At cost						
– Balance at 1 July	147	305	48	274	774	827
– Additions	0	66	20	9	95	48
– Disposals		(10)	0	0	(10)	(101)
Balance at 30 June	147	361	68	283	859	774
(ii) Accumulated Depreciation						
– Balance at 1 July	37	180	23	103	343	291
– Depreciation for the Year	11	57	6	46	120	125
– Writeback on Disposal		(10)			(10)	(73)
Balance at 30 June	48	227	29	149	453	343
(iii) Written Down Value						
As at Beginning of Year	110	125	25	171	431	536
As at End of Year	99	134	39	134	406	431

The Tribunal continues to derive service potential and economic benefits from the following fully depreciated assets: (Fully depreciated computer hardware \$68,846).



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

11. CURRENT LIABILITIES – ACCOUNTS PAYABLE

Current Liabilities – Creditors	1999 \$'000	1998 \$'000
– Creditors	425	189
	425	189

12. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

Employee Entitlements comprises:	1999 \$'000	1998 \$'000
– Provision for Recreation Leave	291	248
– Accrued Salaries and Wages	47	19
– Accrued Employee Related Payments	80	76
	418	343

Recreation Leave paid during the year has been charged directly to the Operating Statement.

13. CURRENT AND NON-CURRENT LIABILITIES – OTHER

Current and Non-current Liabilities – Other comprises:	1999 \$'000	1998 \$'000
Lease Incentive – Current	46	46
Lease Incentive – Non-current		
– Balance at 1 July	121	167
– Less Transfer to Current Liability – Other	(46)	(46)
Non-current Liabilities – Other	75	121

14. CHANGES IN EQUITY

Changes in Equity – movement:	1999 \$'000	1998 \$'000
– Balance at the beginning of the financial year	577	597
– Surplus/(deficit) for the year	(625)	(20)
Balance at the end of the financial year	(48)	577



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

15. COMMITMENTS

(a) Capital Commitments

There were no capital commitments at balance date.

(b) Other Expenditure Commitments

There were no other expenditure commitments at balance date.

(c) Lease Commitments

Aggregate operating lease expenditure contracted for at balance date but not provided for in the accounts are:

Operating Lease Commitments:	1999	1998
	\$'000	\$'000
<hr/>		
- Non Cancelable Operating Leases	718	979
<hr/>		
Operating Lease Commitments	Non Cancelable	
Repayment Schedule:	Operating Leases	
	1999	1998
	\$'000	\$'000
<hr/>		
- Less than 1 year	261	261
- Between 1 and 2 years	261	261
- Between 2 and 5 years	196	457
<hr/>		
Total	718	979
<hr/>		

The above commitments are not recognised in the financial statements as liabilities.

16. CONTINGENT LIABILITY

Other than commitments mentioned elsewhere in these notes, the Tribunal is not aware of any contingent liabilities associated with its operations.

17. AMOUNTS WRITTEN OFF

No amounts due to the Tribunal were written off during 1999 (1998 nil).



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

18. MONIES HELD IN EXCESS OF 2 YEARS

No unclaimed amounts have been held in the accounts of the Tribunal in excess of two years. All amounts unclaimed are forwarded to the Treasury as Unclaimed Moneys where they remain available for refund for a period of twenty years. No Unclaimed Moneys were held by the Tribunal at 30 June 1999 (30 June 1998 nil).

19. BUDGET REVIEW

Net Cost of Services

Actual Net Cost of Services was \$452,000 higher than budget. This was due to increased expenditure on Employee Related Costs and consultancies resulting from additional workload and increased regulatory requirements under national laws.

Assets and Liabilities

The closing Cash balance exceeded budget by \$383,000. This resulted mainly from the actual opening Cash balance exceeding the budgeted opening Cash balance by \$259,000 and the higher than budgeted level of income. Receivables were \$197,000 less than budget because amounts outstanding for consultancy work were less than anticipated. There was no significant variation in Plant and Equipment.

Accounts Payable at year end was \$172,000 greater than budget mainly because of a higher than anticipated level of unpaid consultancy expenses. Employee Entitlements were \$217,000 higher than budget following the 10% increase in wage rates arising during the year, combined with the increase in employee numbers and a generally lower level of leave taken during the year.

Non-current liabilities were \$92,000 less than budget because a reduction in the lease incentive was not taken into account in preparing the budget.

Cash Flows

Net cash outflows from operating activities of \$94,000 were \$144,000 less than budgeted outflows of \$238,000. This was primarily due to the higher than budgeted level of income from the increased work load discussed above.

Net cash flows used in investing activities were higher than budget by \$20,000 due to an increase in purchases of general plant and equipment.

20. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, the Tribunal considers cash to include Cash on Hand and Cash at Bank. Total Cash at 30 June, 1999 as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position (refer Note 8).



Financial Statements 1998/99

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

21. RECONCILIATION OF NET COST OF SERVICES TO NET CASH FLOWS USED ON OPERATING ACTIVITIES

Reconciliation of Net Cost of Services to Net Cash Flows used on Operating Activities	1999 \$'000	1998 \$'000
Net Cash Flows from operating activities	(94)	214
- Cash flow from Government	(4,410)	(4,055)
- Acceptance by Crown Entity of employee liabilities	(232)	(158)
- Depreciation and Amortisation	(120)	(125)
- Net (loss)/gain on disposal or sale of plant and equipment	0	(26)
- Decrease/(increase) in provisions	(75)	(92)
- Increase/(decrease) in receivables	(146)	(51)
- Decrease/(increase) in creditors	(236)	14
- Decrease/(increase) in other liabilities	46	46
Net Cost of Services	(5,267)	(4,233)

22. FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury. The average rate over the year was 3.855% (4.03% in 1997-98) and at year end the rate was 3.75% (4.01% at 30 June 1998).

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

Bank Overdraft

The Tribunal does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was applied during the year (nil in 1997-98).

(END OF AUDITED FINANCIAL STATEMENTS)

APPENDICES

APPENDIX 1

LEGISLATIVE PROVISIONS

The Tribunal derives its powers from the *Independent Pricing and Regulatory Tribunal Act 1992*, the NSW Electricity Supply Act 1996, the *Transport Administration Amendment (Rail Corporatisation and Restructuring) Act 1996* and the *Gas Supply Act 1996*. It also applies various industry Codes produced as a consequence of the Competition Principles Agreement to cover arrangements for third-party access to infrastructure assets.

Independent Pricing and Regulatory Tribunal Act 1992

This Act commenced in July 1992 as the Government Pricing Tribunal Act and was substantially amended and renamed in January 1996 as the Independent Pricing and Regulatory Tribunal Act.

The Tribunal has three major roles under this legislation:

- price regulation and pricing policy reviews of government monopoly services
- reviews of industry, pricing or competition
- registration and arbitration of access agreements.

Price regulation and pricing policy reviews of government monopoly services

Government monopoly services

The Tribunal's powers relate only to prices of government monopoly services supplied by NSW government agencies.

The Tribunal does not regulate the prices of government services in competitive markets, nor is the Tribunal concerned with deciding State taxes.

The Tribunal has responsibility for setting prices only when the service has been declared by the Premier (as Minister responsible for the Act) to be a government monopoly service under Section 4 of the Act.

The criteria for declaring a monopoly service are:

- there are no other suppliers of the service to provide competition in that part of the market

- there is no potential competition in the short term in that part of the market.

Eight declarations are currently effective under Section 4 at 30 June 1998. They are:

- Government Pricing Tribunal (Passenger Transport Services) Order 1992, No 3 (Gazette No. 146, 18 December 1992, page 8893).
- Government Pricing Tribunal (Valuer-General's Services) Order 1993 (Gazette No. 89, 13 August 1993, page 4571).
- Government Pricing Tribunal (Electricity Services) Order 1993 (Gazette No. 124, 12 November 1993, page 6795).
- Government Pricing Tribunal (Local Water Authorities) Order 1994 (Gazette No. 99, 27 July 1994, page 3965).
- Government Pricing Tribunal (Waste Disposal Service) Order 1995 (Gazette No. 60, 19 May 1995, page 2466).
- Government Pricing Tribunal (Water Supply Schemes) Order 1995 (Gazette No. 60, 19 May 1995, page 2467).
- Certain services supplied by the Water Administration Ministerial Council 1995 (Gazette No. 122, 6 October 1995, page 7115).
- Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997 (Gazette No 18, 14 February 1997, page 558).

What the Tribunal can do

For *declared government monopoly services*, the Tribunal is empowered to:

- determine maximum prices (Sections 11(1a) and 12(1a)); and/or
- carry out a periodic review of pricing policies (Sections 11(1b) and 12(1b)).

There are two main ways in which the Tribunal's investigations can be initiated.

- (a) Standing references

Schedule 1 of the Act lists a number of government agencies for which the Tribunal has a standing reference (see list below). Under Section 11 the Tribunal may initiate investigations of declared services supplied by



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standing reference agencies without reference to the Minister.

(b) References by the Premier

Under Section 12 of the Act the Premier may require the Tribunal to determine the maximum price or carry out a review of any declared service, including those supplied by standing reference agencies.

The terms of any reference by the Premier must be advertised, and the final terms of reference must be settled with the Premier following consideration of public comments.

The Tribunal may ask the Premier to make a particular reference under these provisions.

Standing reference agencies

The following government agencies are currently listed as standing references in Schedule 1 of the Act:

- Electricity Transmission Authority
- All NSW electricity distributors
- Sydney Water Corporation Limited
- Hunter Water Corporation Limited
- Water supply authorities constituted under the Water Supply Authorities Act 1987 including Gosford and Wyong Councils
- County councils established for the supply of water
- Administrators of the Fish River Water Supply*
- State Rail Authority
- State Transit Authority
- Roads and Traffic Authority*
- Department of Housing*
- Ports Corporations*.

Even though an agency is on this list, *the Tribunal does not have authority to set prices or carry out a review until monopoly services supplied by the agency have been declared*. No declarations have been made for services supplied by the agencies marked with an asterisk (*).

Public participation and access to information

The Act contains a number of provisions to ensure that the Tribunal's activities are carried out through a public process. *The main requirement is that the Tribunal must hold at least one public hearing for each investigation*. The Tribunal may seek public participation by:

- advertising public hearings (Section 21(3))
- seeking public comments on terms of reference (Section 13(2))
- providing public access to submissions (Section 22A(1))
- inviting public comment on issues and submissions
- holding public seminars and workshops (Section 21(2))
- releasing reports and determinations to the public (Section 19(1))
- public reporting of compliance by agencies (Section 18(4)).

The general assumption of the legislation (Section 22A) is that the public will have access to information provided to the Tribunal for its investigations. That Section also extends the possibility of public access by allowing the Tribunal to approve the release of information that would not otherwise be available under the Freedom of Information Act, following consultation with the supplier of the information.

While most Tribunal activities are public, the Tribunal may direct that evidence be considered in private and may restrict access to confidential documents.

Matters to be considered by the Tribunal

Under Section 15 the Tribunal is required to consider a range of issues when making determinations and recommendations. The factors can be grouped as follows:

- Consumer protection
 - prices, pricing policies and standards of service
 - general price inflation
 - social impact of decisions



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- Economic efficiency
 - greater efficiency in the supply of services
 - impact of exercise of functions by some other body
 - the need to promote competition[#]
- Financial stability
 - rate of return on public sector assets
 - impact of borrowing, capital and dividend requirements
- Environmental and other standards
 - protection of environment by appropriate pricing policies
 - considerations of demand management
 - standards of quality, reliability and safety[#].

[#] added January 1996.

Similar issues are to be considered when the Tribunal determines a methodology for fixing prices under Section 14A (see (b) below). For each investigation the Tribunal is required to report on what regard it has had of each of these factors in making a determination or recommendation (Section 15(2)).

The Premier may also require the Tribunal to consider specific matters in its investigations (Section 13(a)).

How the Tribunal sets maximum prices

The Tribunal may fix maximum prices in either of two ways:

(a) Determining maximum prices

Maximum prices may be determined in any way the Tribunal considers appropriate (Section 14), including:

- setting specific prices for individual services
- increasing or decreasing prices for individual services or groups of services
- setting a rate of return on assets
- referring to the CPI.

(b) Establishing a methodology for determining maximum prices

If the Tribunal considers that it is impracticable to make a determination of maximum prices as in (a), it may determine under

Section 14A a methodology to be used by the agency for fixing the maximum price. This provision was added during 1994/95.

Implementation of maximum prices

The agencies concerned are *required to fix prices so that they do not exceed the maximum price* determined by the Tribunal (Section 18(1A)). The approval of the Treasurer is needed if an agency wishes to charge a price below the maximum price (Section 18(2)).

Compliance

In their annual reports, all agencies subject to the Tribunal's determinations must report (Section 18(4)) on how they have implemented the maximum prices. Information must also be provided on whether Tribunal recommendations made in pricing policy reviews have been implemented, and reasons must be given for any non-implementation.

Release of reports and determinations

The Tribunal submits its reports to the Premier. Any determination must be published in the Gazette as soon as possible (Section 17). All reports must be made available for public inspection and sale, tabled in Parliament and placed in the Parliamentary Library (Section 19).

Reviews of industry, pricing or competition

Section 12A of the Act allows the Premier to require the Tribunal to undertake reviews of matters covering industry, pricing or competition. In contrast to the review provisions of Sections 11 and 12, these reviews are not restricted to the operation of government monopoly services and can cover both government and private industry issues. In carrying out reviews under Section 12A, the Tribunal is not required to specifically have regard to the various issues listed in Section 15 of the Act.

Registration of access agreements

Section 12B of the Act requires that the Tribunal be notified of access agreements that are being negotiated. The Tribunal may provide advice to the



APPENDICES

Premier on such agreements. The Tribunal is required to register all such agreements (Section 12D).

Arbitration of access disputes

If the access regime under which the agreement is being negotiated provides for the operation of Part 4A of the IPART Act, any disputes that occur are subject to arbitration by the Tribunal. Currently Part 4A applies to access to gas, rail and electricity infrastructure. In carrying out these arbitration functions the Tribunal may appoint an arbitrator from a panel approved by the Premier or may undertake the arbitration itself (Section 24B). The Tribunal's arbitration activities follow the provisions of the Commercial Arbitration Act, supplemented by provisions of the IPART Act and any regulations made under Section 29 of that Act.

Provision of assistance to other agencies

Subject to the Premier's approval, the Tribunal may provide services to any government agency, body or person in areas that are within the Tribunal's field of expertise and relevant to its functions (Section 9).

In entering into any arrangement for the provision of services by the Tribunal, the Tribunal has a duty of care to ensure that giving effect to the arrangement will not interfere with the ability of the Tribunal to exercise its normal functions.

Gas Supply Act 1996

The *Gas Supply Act 1996*, which was proclaimed in July 1996, provided for the abolition of the Gas Council of NSW, with economic and price regulation issues becoming the responsibility of the Independent Pricing and Regulatory Tribunal. The Tribunal is also responsible for arranging third party access to gas networks in NSW and for arbitrating access disputes.

The Gas Supply Act used Part 4 of the IPART Act to cover the conduct of pricing and access investigations. Part 4 provides a range of public processes, including the advertisement of investigations, conducting public hearings, public submissions and information gathering and release powers.

Essentially, the Tribunal's functions under the Gas Supply Act can be described as the:

- regulation of gas pricing
- approval of undertaking for third-party access to gas networks
- approval of related party agreements
- registration of access agreements
- arbitration of access disputes.

Gas pricing orders

Under section 27 of the Gas Supply Act, the Tribunal is able to establish a pricing mechanism for delivered gas to tariff customers. Known as a gas pricing order, it enables the Tribunal to:

- establish a methodology within which tariff customer prices for delivered gas must be set
- establish maximum tariffs or maximum average tariffs
- prohibit the imposition of certain charges.

It should be noted that any gas pricing order applicable to the delivered price of gas in a particular area applies to all retailers serving that area. This ensures that with competition among suppliers, any retailer supplying the area covered by a gas pricing order is subject to that order.

If gas suppliers are aggrieved with the Tribunal's determination, they may request a review of pricing orders by a Review Panel appointed by the Minister for Energy. Notwithstanding the above, gas suppliers may apply for review of a pricing order by the Tribunal after 12 months from the date of the order.

Gas Access Undertakings/Arrangements

Under Section 31 of the Gas Supply Act the Minister for Energy established an Access Code relating to procedures for third-party access to gas distribution systems. The Minister may then, under Section 19, declare any natural gas distribution system open for access by third parties. Gas reticulators must, within 3 months of declaration, establish an access undertaking providing information on how the system can be used by third parties.

Access undertakings must be approved by the Tribunal but only if they comply with the Access Code. If the Tribunal refuses to approve an access undertaking (full reasons must be given) the Tribunal can establish an access order pending the completion of an undertaking. The access order has the same effect as an undertaking and provides the conditions on which access will be given by the reticulator to third parties.

In August 1998 the NSW Code was superceded by the Natural Gas Access Code, with the Tribunal continuing regulation of Access Arrangements under that code. For more details of the National Code see pages 7 and 13.

Approval of Related Party Agreements

Section 24 of the Gas Supply Act requires the Tribunal to approve all access agreements between a reticulator and an associated party subject to them complying with the Access Code and the relevant access undertaking. The Code requires that a related party agreement must not have the effect, or be likely to have the effect, of substantially lessening, preventing or hindering competition in a market.

Electricity Regulation

The National Electricity Law and the National Electricity Code will cover electricity transmission from July 1999 and network services from January 2001. For more details of transition to regulations under the National Electricity Code see page 11.

APPENDIX 2

PUBLIC HEARINGS AND SUBMISSIONS

During 1998/99, the Tribunal held 39 meetings and 10 Public Hearings comprising 15 sitting days. The Chairman was present for all meetings, and Mr Cox for 37 meetings.

Other members attended Tribunal meetings according to their expertise and availability. Ms Carver attended 17 meetings and 2 Public Hearings on Electricity, Public Transport and other general issues. Ms Cifuentes attended 28 meetings and 3 Public Hearings on Gas issues, Rail Access, Rail Safety and Public Transport Fares. Professor Musgrave attended 1 meeting on bulk water issues and Mr John Ward attended 4 meetings and 1 Public Hearing on Taxi Cabs and Hire Cars.

DATE	INVESTIGATION	SUBMISSIONS
Determinations		
7 June 1999 Sydney	Passenger transport fares	60
8 April 1999 Gosford	Gosford/Wyong Annual Price Determination	6
20 August 1998 Sydney	Determination of streetlighting charges	20
Section 9 Reviews		
7-8 September 1998 Sydney	Gaming Review	77
Section 12A Reviews		
25-26 November 1998 Sydney	Taxi Cabs and Hire Cars	79
8-9 December 1998 Sydney	Special reference on electricity	122
14 December 1998 Sydney	Review of certain aspects of rail access	46
15 December 1998 Sydney	Review of rail safety issues	18
Gas		
27 August 1998 Albury	Access Arrangement – Albury Gas Company	8
12 November 1998 Sydney	Access Arrangement – GSE Gas Networks	37
31 March–1 April 1999 Sydney	Access Arrangement – AGL Gas Networks	91

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APPENDIX 3

PUBLICATIONS

During 1998/99 the Tribunal released the following publications. Major reports released shortly after the end of the reporting period are included. While printed copies of all publications were distributed to interested parties and are available for purchase at the Government Information Office, all of these publications are also available (in PDF format) from the Tribunal's website (www.ipart.nsw.gov.au) for browsing and downloading.

RELEASE DATE	PUBLICATION NUMBER	TITLE
Determinations		
July 1999	Det99-3&4	Public Transport Fares from 1 August 1999 – CityRail and STA Buses and Ferries
May 1999	Det99-2	Wyong Shire Council – Prices of Water Supply, Sewerage and Drainage Services from 1 July 1999
May 1999	Det99-1	Gosford City Council – Prices of Water Supply, Sewerage and Drainage Services from 1 July 1999
Nov 1998	Det98-6	Charges for Streetlighting Services
July 1998	Det98-5	Bulk Water Prices for 1998/99 and 1999/00
Review Reports		
Aug 1999	Rev99-6	Review of the Taxi Cab and Hire Car Industries – Interim Report
July 1999	Vols 1 & 2 Rev99-5-1&2	Pricing for Electricity Networks and Retail Supply – Report of the Special Reference on Electricity
April 1999	Rev99-4	Aspects of the NSW Rail Access Regime – Final Report
March 1999	Rev99-3	Review of Rail Safety Accreditation Costs – Final Report
March 1999	Rev99-2	Aspects of the NSW Rail Access Regime – Draft Report
Feb 1999	Rev99-1	Review of Fees for Development Control Services – Report on Miscellaneous Fees
Dec 1998	Rev98-4	Review of Fees for Development Control Services – Report on Competitive Neutrality in Pricing
Sept 1998	Rev98-3	Review of Sydney Water Corporation's Stormwater Charges and Expenditure
July 1998	Rev98-2	Review of Fees for Development Control Services – Consultation Paper

Gas Reports

July 1999	Gas99-3	Access Arrangement Albury Gas Company Limited – Draft Decision
June 1999	Gas99-2	AGL Tariff Restructure – 1 July 1999
March 1999	Gas99-1	Final Arrangement – Access Arrangement Great Southern Energy Gas Networks Pty Limited
Dec 1998	Gas98-4	AGL Tariff Increases – 1 January 1999
Sept 1998	Gas98-3	Access Arrangement Great Southern Energy Gas Networks Pty Limited – Draft Decision

Discussion Papers

June 1999	DP36	Review of the operating licences for Sydney Water Corporation and Sydney Catchment Authority
March 1999	DP35	Regulation of retail prices for franchise customers – IPART Secretariat
March 1999	DP34	Regulation of Electricity Network Service Providers – Price Control Issues and Options – Discussion Paper
Feb 1999	DP33	Efficiency and benchmarking of NSW electricity distributors – Discussion Paper
Jan 1999	DP32	Regulation of Electricity Network Service Providers – Incentives and Principles for Regulation – Discussion Paper
Jan 1999	DP31	Rolling Forward the Regulatory Asset Bases of the Electricity and Gas Industries – Discussion Paper
Nov 1998	DP26	The Rate of Return for Electricity Distribution Networks – Discussion Paper
Nov 1998	DP30	NSW Transmission Network, Service Pricing and Revenue Regulation Reviews, Statement of Process – IPART and ACCC
Nov 1998	DP29	Review of Rail Safety Accreditation Costs – Issues Paper
Nov 1998	DP28	Aspects of the NSW Rail Access Regime – Issues Paper
Oct 1998	DP27	Review of the Taxi Cab and Hire Car Industries
Sept 1998	DP25	Pricing for Electricity Networks and Retail Supply – Issues Paper

Research Reports

March 1999	RP15	Regulatory Mechanism to Encourage Effective Management of Network Losses – Intelligent Energy Systems
Feb 1999	RP14	Summary Report of 1998 Distribution Benchmarking – Research Paper – UMS Group

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Feb 1999	RP13	Efficiency and benchmarking study of the NSW distribution businesses – Research Paper – London Economics	July 1998	RP9	Customers – prepared for IPART by SRC International Pty Ltd Review of Fees for Development Control Services – Research Paper by Pannell Kerr Forster
Jan 1999	RP11	Report to the Independent Pricing and Regulatory Tribunal on Capital Expenditure Review in NSW Electricity Transmission – Supplementary Report on TransGrid – Final Report	Other Publications		
Jan 1999	RP10	Report to the Independent Pricing and Regulatory Tribunal on Capital Expenditure Review in NSW Electricity Distribution – Final Report	Jan 1999	AR97-98-1&2	Annual Report 1997/98
Dec 1998	RP12	Contestability for Residential and Other Low Use Electricity	Nov 1998	OP-5	Report to Government: Inquiry into Gaming in NSW
			July 1999	S9-2	Report to the NSW Treasurer and the Minister for Health – A Review of NSW Health – from the Independent Pricing and Regulatory Tribunal of New South Wales

APPENDIX 4

STAFFING AND CONSULTANTS

Staffing and equal opportunity statistics

For several years the Central Corporate Services Unit has provided personnel support services to the Tribunal. While having regard to special factors that

may affect an organisation with a small number of staff, the Tribunal has adopted the Premier's Department's EEO policy for its use.

EEO Statistics – Total Staff by Level and Employment Basis at 30 June 1999(a)

	TOTAL STAFF NO. RESPONSE		SUBGROUP PERCENTAGE		SUBGROUP PERCENTAGE		
			MEN	WOMEN	ABORIGINAL & TORRES STRAIT ISLANDER PEOPLE	PEOPLE FROM RACIAL, ETHNIC, ETHNO-RELIGIOUS MINORITY GROUPS	PEOPLE WHOSE LANGUAGE FIRST SPOKEN AS A CHILD WAS NOT ENGLISH
<\$25,761	–	–	–	–	–	–	–
\$25,761–\$37,825	3	100%	–	100%	–	33%	33%
\$37,826–\$47,866	4	100%	25%	75%	–	–	–
\$47,867–\$61,899	7	57%	43%	57%	–	50%	50%
>\$61,899 (non executive)	19	68%	58%	42%	–	23%	23%
Contracted Executive and Statutory Appointments	5	80%	100%	–	–	–	–
Total (c)	38	74%	53%	47%	–	23%	23%
Permanent (b)							
Full Time	30	73%	50%	50%	–	23%	23%
Part Time	3	67%	–	100%	–	50%	50%
Contract Executive and Statutory Appointments	5	80%	100%	–	–	–	–
Total (c)	38	74%	53%	47%	–	23%	23%

(a) The table only covers items with information relevant to Tribunal staff.

(b) There are no temporary, casual or other staff.

(c) Total staff numbers at 30 June 1996, 1997 and 1998 were 23, 32 and 34 respectively.

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Senior Executive profile

All executive staff are employed under contract by the Tribunal under Section 8(2) of the Independent Pricing and Regulatory Tribunal Act. They are not formally members of the NSW Senior Executive Service (SES). Conditions of employment are similar to SES conditions, and remuneration has regard to determinations by the Statutory and Other Offices Remuneration Tribunal.

Three executive positions were filled at the end of the current financial year, none of which was at the level that requires an individual performance report to be shown in annual reports. No woman executives are currently employed.

Code of conduct

The Tribunal's staff operate under a Code of Conduct designed to cover their role in a utility regulatory environment. A copy of the full Code of Conduct can be found on the Tribunal's website: (www.ipart.nsw.gov.au).

Corporate Plan

The main components of the plan are shown at the beginning of this report. Progress in meeting corporate objectives is assessed for each program element in the main body of the report. The Corporate Plan is available on request and can be viewed or downloaded from the Tribunal's website.

Consultants

Expenditure on consultants during 1998/99 was \$1,199,000. During 1998/99 the Tribunal engaged 49 consultants for a total contract cost of \$1,383,665 (work on some consultancies was proceeding at 30 June). There were 33 consultancies for values of less than \$30,000. Details of the 16 consultancies that had a value exceeding \$30,000 are shown in the following table.

Consultancies over \$30,000

PROJECT	CONSULTANT	CONTRACT COST (\$)
Capital expenditure reviews of NSW Electricity Distribution	Worley International P/L	180,000
Capital expenditure review of Transgrid	Worley International P/L	42,000
Efficiency Study of NSW Electricity Distribution	London Economics (Aust) Pty Ltd	115,595
Retail Contestability in the Electricity Market	SRC International Ltd	45,190
Electricity Industry Pricing Issues	East Cape Pty Ltd	55,934
IPART NSW Grid Company Asset Valuation Review	PB Power	38,650
AGL – Review of Asset Valuation of Network Systems	Ewbank Preece	107,350
AGL – Capital expenditure review	Ewbank Preece	39,000
AGL – Financial Review & Advice	KPMG Consulting Pty Ltd	90,000
Assistance with review of taxis and rail access	Sinclair Knight Mertz	30,000
Cost Analysis in relation to Development Control Services of Local Government in NSW	Pannell Kerr Forster Equal	51,726*
Review of Development Control fees	East Cape Pty Ltd	30,000
Developer charges review	Pricewaterhouse Coopers	60,000
Analysis of Weighted Cost of Capital	Baring Brothers, Burrows & Co Pty Ltd	46,000
General legal assistance	Pricewaterhouse Coopers	35,000
General legal assistance for GSN application for review to Australian Competition Tribunal	Pricewaterhouse Coopers	33,600

* 50 per cent will be reimbursed by Department of Urban Affairs and Planning

APPENDIX 5

OTHER ISSUES

Tribunal Executive Meetings

The Tribunal's Core Executive, consisting of the Chairman; Full-time Member; General Manager, Secretariat; Chief Manager, Water and Transport; and the Chief Manager, Energy and other industries and the Special Adviser met regularly at approximately two week intervals throughout the year. All Program Managers and the General Counsel also attended every second meeting.

The Executive Meetings reviewed the current work program of the Secretariat and ensured that the Tribunal was adequately briefed on all relevant issues.

External liaison

Details of a range of working groups and forums which facilitate communication with external bodies are shown in the main part of the report.

Overseas visits

In July 1998 Mr James Cox, Full Time Member, made presentations to the Ontario Energy Board, Canada and World Bank, Washington DC USA on *Regulation in NSW; the work of IPART*.

The Chairman, Dr Parry visited the UK in May 1999 and met with various regulatory bodies and representatives to discuss the development of Water Operating Licenses.

External presentations

During the year the following external presentations on the role and work of the Tribunal were made by Tribunal Members and Secretariat staff:

Dr Thomas G Parry, Chairman

IPART's Review on Health, New South Wales Health Department, July 1998, Sydney

Access Regimes, Blake Dawson Waldron, August 1998, Sydney and Melbourne

IPART's decision on NSW's Gas Assets, National Power Investment Forum, February 1999, Sydney

Reducing Burden: Options and Alternatives, ESAA Regulation Conference, February 1999 – Melbourne

Infrastructure Regulation, Macquarie Infrastructure Conference, April 1999, Sydney

Mr James Cox, Full time Member

Regulation of Water in NSW, presentation to the Tasmanian Government Pricing Oversight Commission, September 1998, Sydney

Pricing of Public Transport in NSW, meeting of Transport Commuters, October 1998, Sydney

Energy Pricing in NSW, IPA Energy Group, May 1999, Melbourne

Mr Eric Groom

Regulation in Competitive Electricity Markets, UNSW Department of Electrical Engineering, July 1998, Sydney

Benchmarking in Local Government, IMM Annual Conference, July 1998, Sydney

Panel Session on Directions in Transmission Pricing, ACCC Conference on Network Regulation and Pricing, December 1998, Melbourne

Electricity Regulation in NSW, ESAA Conference on Regulation, February 1999, Melbourne

Who Benefits for Regulation, Networks 99 Conference, June 1999, Sydney

Mr Colin Reid

Role of IPART, CPA Accountants in Government, August 1998; Taiwanese delegation, January 1999

Mr Scott Young

IPART's approach and practical experience in an electricity pricing review, presentation to Office of the Regulator-General, Melbourne, September 1998

IPART's review of electricity pricing, NorthPower Customer Consultative Committee, December 1998

Electricity regulation, presentation to PIAC and associates, January 1999

Capital Valuation, Regulation and Pricing, presentation to PIAC Conference, February 1999



APPENDICES

Ms Fiona Towers

Regulation of the Electricity industry in NSW,
Conference on the Fundamentals of the Competitive
Electricity Industry, February 1999

Computing facilities

During the year the computing needs of the Tribunal's Secretariat were provided by a Novell 4.1.1 network. This will be upgraded to Netware 5.0 early in 1999/2000.

All Secretariat staff use Pentium PC's. These computing facilities are used extensively by the Secretariat's specialist staff for financial analysis and modelling and for the preparation of reports.

A Lotus Domino server is used for email and Notes databases. The main user operating system/software is Windows 95 and Office 97.

A permanent connection to the Internet provides for email and internet browsing facilities. A Novell Border Manager firewall, and server and workstation virus protection provide external protection. An Internet Service Provider hosts the Tribunal's website.

An integrated database (ASSIST) manages the Tribunal's mailing lists and submissions registers.

Year 2000 issues

The Tribunal has prepared a Year 2000 risk analysis, contingency and rectification plans, and progress on implementation of these plans has been submitted on a monthly basis to the Office of Information Technology (OIT).

All IT equipment has been tested for Year 2000 compatibility and arrangements have been made to replace a small number of non complying PC's. Testing indicated only minor issues that can be resolved at relatively small cost prior to January 2000.

Confirmation has been received from the building owner that all remediation work on building facilities has been satisfactorily completed and tested. The Tribunal's electronic access security system has been replaced to meet Y2K standards.

External certification has been provided for risk assessment rectification and contingency plans in accordance with OIT's requirements. Certification of remediation will be arranged early in 1999/2000 as

assurance that all steps have been taken to identify and address all significant internal and external Y2K issues that may affect the Tribunal's operations.

Complaints

The Tribunal receives letters from time to time that comment critically on determinations made by the Tribunal and on the public procedures of the Tribunal. These representations are acknowledged and, where appropriate, are registered as submissions to the relevant investigation.

Other representations are made to the Tribunal from time to time concerning pricing practices or activities of the utilities that it regulates. As appropriate, these representations are referred to the relevant agencies and the Electricity Ombudsman.

Risk management and insurance

Comprehensive coverage for workers' compensation, motor vehicle, property and liability insurance is provided through the NSW Treasury Managed Fund. The major risks are those relating to workers' compensation and motor vehicle damage.

Exposure to theft of property is limited by the installation of a security access system for the Tribunal's office accommodation. This controls access to the Tribunal's work areas during the day and provides security outside office hours. This system also provides security for sensitive business and financial information provided by Tribunal respondents.

Duplexed server disk facilities, daily back-up, offsite tape storage and uninterruptable power supply are used to reduce risks arising from computer system breakdowns.

Computer virus protection is installed on the server and workstations and protects all incoming email. Virus protection files are updated regularly and staff informed of ways of minimising the risk of importation of computer viruses.

A consultancy to assess data security and integrity was commissioned during the year. The study will undertake a risk assessment of all of the Tribunal's computing environment as well as an overall assessment of security issues affecting non computing information. A report will be available early in 1999/2000.

APPENDICES

Report on account payment performance

Accounting services are provided by the Central Corporate Services Unit (CCSU) operated by the Department of Public Works and Services. Other than a small number of accounts which needed to be queried, all accounts were sent for payment without delay.

While the Tribunal keeps records of accounts sent for payment, it relies on the CCSU to pay accounts promptly. Queries on late payment are referred to CCSU for progress in arranging payment. There have been no formal complaints received by the Tribunal about late payment of any accounts.

Details of Annual Report production

1000 copies of this report have been printed at an average cost of \$11.38 per copy. Extra copies may be purchased at the NSW Government Information Service Bookshop. An electronic copy of this report is available on the Tribunal's website.

APPENDIX 6

FREEDOM OF INFORMATION ACT – STATEMENT OF AFFAIRS

Under the Freedom of Information Act 1989, every NSW government department or agency is required to publish an annual statement of affairs. The statement describes the structure and functions of the agency and lists categories of documents that are held by the agency.

The structure and functions of the Independent Pricing and Regulatory Tribunal of NSW are described in detail in the main section of this annual report.

Effect of the agency's functions on members of the public

The determinations of the Tribunal affect most members of the public in NSW, both directly and indirectly, through prices charged for monopoly

services, especially for electricity, gas, water and public transport fares.

The Tribunal also conducts investigations that are referred to it by the Premier under Sections 12 and 12A of the Independent Pricing and Regulatory Tribunal Act. Full details of all the investigations undertaken in 1998/99 are outlined in this report.

Arrangements for public participation in policy formulation

The Act requires considerable public participation during the Tribunal's investigation processes. Public hearings are held and public submissions invited for every investigation. The hearings are advertised several weeks ahead. Public comment is sought on the terms of reference for some inquiries.

Public hearings are informal and witnesses are invited by the Tribunal to participate. Transcripts are made and are available for public inspection and/or purchase.

Reports and price determinations are sent directly to the Premier. These determinations must be gazetted as soon as practicable, tabled in Parliament within five sitting days, and sent to the Parliamentary Library.

Similarly, copies of the reports are made available promptly for public inspection at the Tribunal's offices during ordinary hours of business, and are sent free of charge to those registered on the Tribunal's mailing list for the investigation. Copies of all reports may be purchased through the Government Information Service.

The Tribunal's website (www.ipart.nsw.gov.au) provides a wide range of information about the Tribunal and its current timetables. The website also provides access to all recent advertisements, media releases, publications and most submissions to Tribunal investigations which are not considered to be exempt documents under the FOI Act.

Provisions of the Independent Pricing and Regulatory Tribunal Act affecting FOI requests.

Section 22A of the Independent Pricing and Regulatory Tribunal Act 1992 contains provisions for the Tribunal to review the release of



APPENDICES

information that would otherwise be exempt from release under the Freedom of Information Act. After having regard to the views of the information supplier the Tribunal may agree to the release of information, in full or in part, on a general or restricted basis.

Description of the kinds of documents held by the Tribunal

Submissions to Tribunal inquiries

The Tribunal has established a public access library, which contains copies of the vast majority of submissions to its investigations and reviews. Submissions are not placed in the public access library where the authors claim that public release might expose them to commercial disadvantage, or where, in the opinion of the Tribunal, the submission would be an exempt document under the FOI Act (see above).

The Tribunal can also give directions prohibiting release under Section 21(5)(b) of Independent Pricing and Regulatory Tribunal Act 1992.

The public access library also contains transcripts of public hearings, and reports and determinations. Copies of all recent publicly available submissions and hearing transcripts can now also be viewed at the Tribunal's website.

Publications issued

The Tribunal publishes discussion and research papers, background papers on price determinations and reports of pricing reviews. Copies of recent publications can now also be viewed and downloaded from the Tribunal's website.

All documents are available for purchase at the NSW Government Information Service, Goodsell Building, Chifley Square, Sydney and 130 George Street, Parramatta.

Hard copy files

The Tribunal maintains a general filing system for internal management purposes. An electronic records management system has recently been introduced to enhance the Tribunal's filing system.

Tribunal papers

The Tribunal prepares agendas, minutes and other papers for its meetings.

Access arrangements

Copies of all documents in the Tribunal's public access library are available for public inspection and/or purchase (at 30 cents per A4 sheet) at the Tribunal's offices, Level 2, 44 Market Street, Sydney 2000, from 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Some documents (notably transcripts of public hearings) may also be purchased on disk.

FOI procedures

For access to Independent Pricing and Regulatory Tribunal documents other than those identified in the public access library, application must be made in writing under the Freedom of Information Act.

Since many documents are readily accessible through the Tribunal's public access arrangements and the Tribunal's website, it is advisable to check the general availability of the document before making an application under the Freedom of Information Act.

FOI applications must be accompanied by a \$30 application fee and directed to:

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
SYDNEY NSW 1230

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator. Telephone inquiries: (02) 9290 8484.

FOI requests in 1997/98

Two requests were received under the FOI Act for access to documents during the year. One request related to documents that had already been published. The documents in the other request were determined to be exempt by virtue of Schedule 1, Section 16 of the FOI Act.

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INDEPENDENT PRICING AND
REGULATORY TRIBUNAL
OF NEW SOUTH WALES

Level 2

44 Market Street
Sydney NSW 2000

PO Box Q290

QVB Post Office

NSW 1230

Phone: (02) 9290 8400

Fax: (02) 9290 2061

Email: ipart@ipart.nsw.gov.au

Website: www.ipart.nsw.gov.au